

Report of the Auditor General on Head 181 – Ministry of Productivity Promotion and the Department under the Ministry – Year 2014

Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Ministry and the Department under the Ministry and the Audit Observations on each Head appears in paragraph 3 onwards

1. Department under the Ministry

<u>Head</u>	<u>Department</u>
328	Department of Manpower and Employment

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records of the Ministry of Productivity Promotion and Department of Manpower and Employment for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154(1) of the Constitution in the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Chief Accounting Officer and the Accounting Officer of the Ministry and the Department on the under mentioned dates. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitation of staff, other resources and time available to me.

<u>Head</u>	<u>Ministry / Department</u>	<u>Date of Issue of Management Audit Report</u>
181	Ministry of Productivity Promotion	16 July 2015
328	Department of Manpower and Employment	16 July 2015

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Accounts and the Reconciliation statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

Out of the total net provision of Rs.804.31 million made for the Ministry and the Department under the Ministry, a sum of Rs.741.71 million had been utilized by the end of the year under review. As such the savings from the net provisions of the Ministry and the Department amounted to Rs.61.38 million and Rs.1.22 million respectively and represented 11.57 per cent and 0.44 per cent of the net provisions. Details appear below.

Head	As at 31 December 2014			Savings as a Percentage of Net Provision
	Net Provision	Utilisation	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
181	530.34	468.96	61.38	11.57
328	273.97	272.75	1.22	0.44
Total	804.31	741.71	62.60	7.78

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Aurtherised by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and the Department under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Level	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
18101	7.5	5.8	1.3	3.2	28.00	15.6
32801	16.0	10.5	8.3	12.9	48.00	41.2

2.3 General Deposit Account

The balances of the General Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2014 totalled Rs.5.97 million. Details appear below.

Ministry / Department	Account Number	Balance as at 31 December 2014
		Rs.Millions
Ministry of Productivity Promotion	6000/0000/00/0015/0181/000	5.90
Department of Manpower and Employment	6000/0000/00/0011/0185/000	0.07
Total		5.99

2.4 Audit Observations

The Appropriation Accounts and the Reconciliation Statements of the Ministry and the Department according to the financial records and books had been prepared satisfactorily subject to the observations appearing in the Management Audit Reports referred to in paragraph 1.1. The material and important observations out of the observations appearing in those Management Audit Reports appear in paragraphs 3 and 4 below.

3. Head 181 – Ministry of Productivity Promotion

3.1 Non-maintenance of Registers and Books

It was observed during the course of audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Registers -----	Relevant Regulation -----	Observations -----
(a) Register of Security	Financial Regulation 891(1)	Not maintained
(b) Register of Electrical Equipment	Financial Regulation 454(2)	Not maintained
(c) Register of Bid Invitation	Guideline 5.2.1 of the Government Procurement Guidelines	Not maintained
(d) Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978	Not updated

3.2 Appropriation Account

3.2.1 Budgetary Variance

The following observations are made.

- (a) The entire net provision of Rs.40,000,000 made for one Object had been saved.
- (b) Excess provisions amounting to Rs.10,526,703 had been made for 11 Objects and as such the savings after the utilization of provisions ranged from 10 per cent to 85 per cent of the net provisions relating to those Objects.

3.3 Good Governance and Accountability

3.3.1 Annual Action Plan

Even though the Ministry should prepare an Annual Action Plan in terms of the Public Finance Circular No. 01/2014 of 17 February 2014 the Action Plan of for the year under review had not been prepared even by 31 December 2014.

3.3.2 Annual Procurement Plan

A Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared even up to 31 December 2014. The Secretary to the Ministry of Public Administration, Local Government and Democratic Government informed the audit on 23 July 2015 that out of provision amounting to Rs.54 million, Rs.40 million had been provided through the revised estimate without any request from the Ministry.

3.4 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Ministry.

(a) Idle and Underutilised Assets

A motor vehicle of the Ministry had met with an accident on 15 October 2013 causing a loss of about Rs.7.5 million. Even though a period of 01 year 07 months had elapsed after the accident no action had been taken for obtaining the insurance indemnity or recover from those the persons responsible or for repairing the motor vehicle even up to 18 May 2015, the date of audit.

(b) Conduct of Annul Boards of Survey

The following observations are made.

- (i) Even though the Public Finance Circular No. 02/2014 of 17 October 2014 required that the Reports of the Board of Survey for the year 2014 should be sent to the Auditor General before 17 March 2015, the survey report on the motor vehicles of the Ministry had not been furnished to audit even by 18 May 2015.

- (ii) Action in terms of the Financial Regulations had not been taken on the shortages of 07 categories of goods pointed out and 27 categories of goods recommended for disposal in the Board of Survey Reports for the year 2014.

3.5 **Performance**

The observations on the progress of the Ministry according to the Annual Budget Estimates and the Action Plan for the year 2014 are given below.

(a) **Key Functions not Adequately Executed**

Key Functions of the Ministry had not been adequately executed and several such instances observed are given below.

- (i) Out of the “Kaison” Programmes scheduled to be conducted in the Gampaha, Kalutara, Matara, Kandy and Kegalle for the promotion of productivity in the private sector, 128 programmes or 43 per cent had not been conducted.
- (ii) Even though the improvement of skills of 1,000 officers had been targeted through 25 short term Skills Development Programmes for officers, it had not been possible to improve the skills of 251 officers by 09 of those Programmes. The percentages of non-execution had been 36 per cent and 25 per cent respectively.
- (iii) Even though plans had been made for holding a ceremony for award of presents after holding speech contests and seminars on Productivity Promotion it had not been executed.
- (iv) Even though targets had been set for the publication of 06 volumes of the “Saphala” Magazine, 83 per cent or 5 volumes out of that had not been published.

- (v) The summaries of Progress Reports 18 Districts had been furnished to audit to examine the progress for the year 2014 of the Productivity Promotion Officers attached to the Divisional Secretariats. There were 1,347 instances in which the officers had not reached targets assigned to each officer for the implementation of programmes in the respective Divisions of the Divisional Secretariats.

3.6 Irregular Transactions

Certain transactions entered into by the Ministry had been devoid of regularity. Several such instances observed are given below.

(a) Deviation from the Government Procurement Procedure

Even though provision amounting to Rs.16 million had been made for the Productivity Awards Ceremony of the year 2012/2013 and a budget estimate for that had not been prepared. A sum of Rs.9,472,502 had been paid to the institution which organized the ceremony without obtaining a certificate that the work had been executed satisfactorily. There was no evidence that any follow-up action had been taken on the execution of 48 activities.

(b) Transactions without Authority

According to Clause 20(iv) of the agreement entered into on 18 August 2014 with the institution which executed the activities of the National Productivity Ceremony, the approval of the Procurement Committee should have been obtained for the execution of any activity which is outside the contract work. But, the prior approval had not been obtained for the payment of a sum of Rs.1,665,941 exceeding the agreed amount.

3.7 Uneconomic Transactions

The payment of a sum of Rs.347,200 to a newspaper publishing company for the publication of messages of felicitation on the Accession to the Presidency, in two national newspaper was observed as an uneconomic expenditure.

3.8 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) The Ministry had paid the salaries, salary increments, allowances and travelling expenses to the 590 Productivity Promotion Officers attached to the Divisional Secretariats throughout the Island without establishing their attendance, departure have obtained and the proper performance of the activities assigned to them.
- (b) Even though the Progress Reports of the field duties of the officers attached to the Divisional Secretariats had been sent to the Ministry the veracity or otherwise of those had not been subjected to physical examination. Nevertheless, the Pilot Supervision Programme launched on 02 January 2015 with the Gampaha District as the base had not been completed even by 18 May 2015.

3.9 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----
(i) Senior Level	24	10	14
(ii) Tertiary Level	02	-	02
(iii) Secondary Level	799	657	142
(iv) Primary Level	24	10	14
	-----	-----	-----
Total	849	677	172
	====	====	====

The following observation is made.

The Ministry had not taken action to fill 172 vacancies even by the end of the year under review.

4. Head 328 – Department of Manpower and Employment

4.1 Non-maintenance of Registers and Books

It was observed during the course of audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Category of Registers -----	Relevant Regulation -----	Observations -----
(a) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002	Not maintained
(b) Register of Electrical Equipment	Financial Regulation 454(2)	Not maintained
(c) Register of Losses	Financial Regulation 110	Not maintained
(d) Register of Counterfoil Books	Financial Regulation 341	Not maintained
(e) Register of Motor Vehicles	Financial Regulation 1647 (e)	Not maintained
(f) Register of Attendance of Procurement Committee and the Technical Evaluation Committee	Guideline 2.11.2 of the Government Procurement Guidelines	Not maintained
(g) Register of Bid Invitation	Guideline 5.2.1 of the Government Procurement Guidelines	Not maintained
(h) Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978	Not updated

4.2 Appropriation Account

4.2.1 Budgetary Variance

Excess provision of Rs.488,671 had been made for 02 Objects and as such the savings, after the utilization of provisions amounted to 17 per cent and 32 per cent of the net provisions relating to those Objects.

4.3 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account Item No. 32801 as at 31 December 2014, the balances that remained outstanding as at that date amounted to Rs.301,114. Even though the balances had been outstanding over periods ranging from 1 year to 3 years the Department had failed to recover those outstanding loan balances.

4.4 Good Governance and Accountability

Annual Procurement Plan

The Annual Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared even up to 31 December 2014.

4.5 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Department.

(a) Idle and Underutilised Assets

It was observed during the course of audit test checks that the following assets had been either idle or underutilized.

	Category of Assets	Number of Units	Idle Period Years	Underutilised Period Years
	-----	-----	-----	-----
(i)	Motor Vehicles	01	--	02
(ii)	Other Assets	182	04	--

(b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) Even though the Reports of the Board of Survey for the year 2014 should be furnished to the Auditor General prior to 17 March 2015 in terms of the Public Finance Circular No. 02/2014 of 17 October 2014 a complete survey of the motor vehicle had not been conducted and report thereon had not been furnished to the audit even by 18 May 2015.
- (ii) Action in terms of the Financial Regulation had not been taken on the excess and shortages pointed out and recommendations made in the Reports of the Boards of Survey for the year 2014.

4.6 Non-compliances

Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions in laws, rules, regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Non-compliance
--	----------------

----- (a) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----	
---	--

Chapter XII Section 1.7

- Records of 1,145 days of have of 102 officers attached to the Head Office obtained from January 2014 to 15 April 2015 had not been entered in the Leave Register even by 18 May 2015.

- All administration officers of the Human Resources Development Officers, Project Officers and the Development Officers attached to District / Divisional Secretariats spread throughout the Island, such as the arrival and departure and leave have been assigned to the District / Divisional Secretaries. The Leave Records of 292 institutions had not been received by the Department even up to 20 May 2015. The Leave Registers as well had not been updated.

(b) Public Administration Circulars

Circular No. 09/2009 of 16 April
2009

Even though the finger printing machine of the Department had not been working since 24 January 2014, action for repairing the machine had not been taken over a period exceeding 10 months.

4.7 Performance

The observations on the progress of the Department according to the Annual Budget Estimates and the Annual Report for the year 2014 are given below.

(a) Key Functions not Executed Adequately

The following observations are made.

- (i) None of the following functions scheduled for execution by the Manpower and Development Division had been implemented.
- Forecasting Manpower
 - Planning of Sectoral Manpower

- Executing the work necessary for plan implementation through co-ordination among institutions.
 - Formulation and Implementation of the Policies and Schemes relating to the Manpower Development.
- (ii) Even though the supply of the associated facilities for the Groups included in the long term targets of the Department, Persons with disabilities and persons living in the under-developed areas, the activities for the execution of those functions had not been included in the Action Plan.
- (iii) Even though 10,000 job placements had been targeted through the District and Regional level Job Fairs and Job Service Programmes with a view to providing independent job service, 57 per cent thereof or 5,766 of that had not been achieved.
- (iv) Even though a sum of Rs.45,980 excluding the provision of Rs.200,000 had been spent for the School Based Socio-Economic Data Hambantota Programme, the physical progress thereof had been 80 per cent. Even though a sum of Rs.170,025 exceeding the estimate had been spent on the Publication of Job Profile on Hotel Industry, it had not been published in the Web site.

4.8 Uneconomic Transactions

A sum of Rs.121,989 had been spent in the year 2014 in connection with the repairs, servicing and other services for the double cab motor vehicle, taken off from running over a period exceeding two years.

4.9 Management Weaknesses

Two officers of Grade III of the Sri Lanka Administrative Service had been appointed to act in the posts of Director while an officer in Grade I of the Management Assistants Service had been appointed to act in the post of the Administrative Officer on 01 April 2014, 09 October 2014 and 01 January 2014 respectively, without obtaining the approval

of the Appointing Officer for the extension of the acting period within the specified period.

4.10 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	13	10	03
(ii) Tertiary Level	02	--	02
(iii) Secondary Level	673	521	152
(iv) Primary Level		14	12
Total	702	573	159

The following observations are made.

- (i) Audit was informed on 27 July 2015 that the adequacy of the Actual Cadre as at the end of the year under review had been reported to the Ministry of Public Administration.
- (ii) The Management had not carried out a proper supervision to ensure that the responsibility and supervision relating to the arrival, departure and leave of officers outside the Head Officer, assigned to the District / Divisional Secretaries have been properly executed.
- (iii) According to the Progress Reports of the Human Resources Development Officers attached to the Divisional and District Secretariats, there were 222 instances out of the targets assigned to 288 offices, had not been achieved.
- (iv) Field inspection supervision had not been carried out by 195 District / Divisional Secretariats and only a few inspection reports had been submitted to the offices which had supervised the inspections.