

## **Report of the Auditor General on Head 298 – Department of Measurement Units, Standards and Services Year 2015**

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The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 298 – Department of Measurement Units, Standards and Services for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director of the Department on 19 October 2016. 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 limitations of staff, other resources and time available to me.

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

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The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue Account 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**

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### **2.1 Appropriation Account**

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#### **Total Provision and Expenditure**

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The total net provision made for the Department amounted to Rs.316.44 million and out of that Rs.315.36 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Department amounted to Rs.1.08 million or 0.34 per cent. Details appear below.

Expenditure	<u>As at 31 December 2015</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
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	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	95.94	95.00	0.94	0.98
Capital	220.50	220.36	0.14	0.06
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Total	316.44	315.36	1.08	0.34
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## 2.2 Advance Account

### 2.2.1 Advances to Public Officers Account

#### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.29801 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
7.97	2.65	3.50	4.46	30.00	16.62

## 2.3 General Deposit Account

The balance of the General Deposit Account No. 6000/0000/00/0006/0069/000 of the Department as at 31 December 2015 amounted to Rs. 45.02 million.

## 2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Department of Measurement Units, Standards and Services had been satisfactorily prepared subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in Paragraph 3.

### 3. Material and Significant Audit Observations

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#### 3.1 Non – maintenance of Registers and Books

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It was observed during audit test checks that the Department had not been maintained the following registers in an updated manner.

Type of Register	Relevant Regulation
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(a) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978
(b) Register of Fixed Assets on Computers Accessories and Software.	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
(c) Register for Losses	Financial Regulation 110
(d) Register of Liabilities	Financial Regulation 214
(e) Bidding Document (Register)	Guideline 5.2.1 of the Government Procurement Procedure

#### 3.2 Advances to Public Officers Account

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According to the Reconciliation Statement on the Advances to Public Officers Account, Item No.29801 as at 31 December 2015, the balances that remained outstanding as at that date totalled Rs.1,316,281. Even though those outstanding balances remained over periods ranging from 01 year to 05 years, the follow-up action on the recovery of the outstanding balances had been at a weak level.

#### 3.3 Good Governance and Accountability

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##### 3.3.1 Annual Procurement Plan

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It had been provided a provision of Rs.316.2 million from the annual budget estimates and a sum of Rs.0.2 million from the supplementary allocations to be obtained goods and services through the Government Procurement Procedure. A Procurement Plan had not been prepared in terms of the National Budget Circular No.128 dated 24 March 2006 for the utilization of the same.

### 3.3.2 Internal Audit

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An Internal Audit Unit had not been established.

### 3.3.3 Audit and Management Committee

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The Audit and Management Committee meetings had not been conducted for the year 2015.

### 3.4 Assets Management

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The following deficiency had been observed during the course of test check of the assets of the Department.

#### Conduct of Annual Boards of Survey

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In terms of the Public Finance Circular No. 2/2014 dated 17 October 2014, the Annual Board of Survey should be conducted and the report thereon should be submitted to the Auditor General before 17 March 2016. Nevertheless, it had not been forwarded even by 17 October 2016.

### 3.5 Non-compliances

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#### Non-compliance with Laws, Rules and Regulations

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Instances of non-compliances with laws, rules and regulations observed during the course of audit test check are analysed below.

References to Laws, Rules and Regulations	Value Rs.	Non-compliance
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(a) Statutory Provisions		
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(i) Measurement Units, Standards and Services Act, No. 35 of 1995		
• Section 35 (2)	133,996,977	The total share of Rs. 134.00 million or 1/3 of income of the Fund to be credited to the State Revenue for the years 2013, 2014 and 2015 amounted to Rs. 8.83 million, Rs. 54.28 million and Rs. 70.88 million respectively had not been credited to State Revenue. Without a proper approval that revenue had been utilized for the construction of buildings.

- Sections 20 (1) (a) and 37

According to the provision in the Act, all the measurement equipment used in the trade should be verified annually. Nevertheless, a proper methodology to ensure the verification of every equipment had not been established.

(ii) Stamp Duty Act No.12 of 2006 and Gazette notification of the Democratic Socialist Republic of Sri Lanka No. 1530/13 dated 01 January 2008 .

Action had not been taken to charge a Stamp Duty of Rs. 25 for a payment exceeding a sum of Rs.25,000.

**(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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Financial Regulation 1646

The Daily Running Charts and the Monthly Performance Summaries of the pool motor vehicles of the Ministry for the year 2015 had not been furnished to audit.

**(c) Public Administration Circulars**

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Circular No. 06/97 dated 03 February 1997

Since, the retirement of the Former Director on 05 May 2009, that vacancy had not been filled even by 31 August 2016 and an officer had been appointed on acting basis to cover up the duties.

**(d) Public Finance Circular**

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Circular No. PF/423 dated 22 December 2006  
Paragraph 4.1 (a)

Even though the budget of the Fund should have been furnished to the Director General of National Budget and the Director General of Public Finance before 30 September 2014, it had not been so done.

**3.6 Management Weaknesses**

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The loss of interest to the Fund had been amounted to Rs. 5,223,010 due to discount of Treasury Bills before the maturity period of the value.

### 3.7 Human Resources Management

#### ----- Approved Cadre and Actual Cadre -----

The position of the cadre as at 31 December 2015 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
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(i)	Senior Level	16	11	5
(ii)	Tertiary Level	30	1	29
(iii)	Secondary Level	198	133	65
(iv)	Primary Level	98	70	27
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	<b>Total</b>	<b>341</b>	<b>215</b>	<b>126</b>
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The following observation is made.

The posts of MSD Examiner Training and Laboratory Assistant Trainer are being considered as secondary level posts and had recruited 20 and 03 employees respectively. Approval from the Department of Management Services had not been obtained for the 23 posts.