

## Report of the Auditor General on Head 122 – Ministry of Parliamentary Reform and Mass Media - Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 122 – Ministry of Parliamentary Reform and Mass Media 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 Secretary to the Ministry on 15 November 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 for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation 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

### 2.1 Appropriation Account

#### Total Provision and Expenditure

The total net provision made to the Ministry amounted to Rs.3,526.30 million and a sum of Rs.1,378.79 had been utilized therefrom by the end of the year under review. Accordingly, a sum of Rs.2147.51 million or 60.90 per cent of the total net provision had been saved. Particulars are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Mn	Rs. Mn	Rs. Mn	
Recurrent	1,114.80	1,055.12	59.68	5.35
Capital	2,411.50	323.67	2,087.83	86.58
Total	3,526.30	1,378.79	2,147.51	60.90

## 2.2 Advance Account

### Advances to Public Officers Account

#### Limits Authorized by Parliament

Limits authorized by Parliament in respect of advances to Public Officers account under Item No.12201 and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
15.00	14.76	5.00	15.57	45.00	20.58

## 2.4 Imprest Account

The balance of the Imprest Account under the Ministry as at 31 December 2015 amounted to Rs.80.08 million.

## 2.5 General Deposit Accounts

The balances of the 04 General Deposit Accounts under the Ministry as at 31 December 2015 totalled Rs.106.09 million. Particulars are given below.

<u>Deposit Account Number</u>	<u>Balance as at 31 December 2015</u>
	Rs.Millions
6000/0000/00/0002/0166/000	0.005
6000/0000/00/0013/0121/000	105.604
6000/0000/00/0006/0111/000	0.421
6000/0000/00/0020/0018/000	0.061
Total	106.091

## 2.6 Audit Observation

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Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Parliamentary Reforms and Mass Media 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 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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The Ministry had not maintained the following Registers and audit test checks observed that certain registers had not maintained properly and updated.

Type of Registers	Relevant Regulation	Observations
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(i) Personnel Emolument Register	Financial Regulation 453	Not maintained.
(ii) Register of Liabilities	Financial Regulation 214	Not maintained.
(iii) Additional Fuel Register	Paragraph 04 of Public Administration Circular No.13/2008 of 26 June 2008.	Not maintained.
(iv) Register of Petty Cash	Financial Regulation 446	Not maintained.
(v) Register of Counterfoil Books	Financial Regulation 454 (1)	Not maintained.
(vi) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978.	Not up dated.
(vii) Inventory Register	Financial Regulation 454 (1)	Not up dated.
(viii) Register of Losses	Financial Regulation 110	Not updated.

### 3.2 Lack of evidence for audit

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Evidence to ensure whether 5 mobile telephones valued at Rs.433,575 obtained by a former Minister and 2 Ministry Secretaries and 3 car charges valued at Rs.8,000 obtained by a former Ministry Secretary had been returned back to the Ministry was not made available for audit. Substantive evidence to ensure whether a responsible officer had confirmed the installation and taking over of furniture and equipment and sound control system valued at Rs.3,355,520 purchased for the Ministers Official Bungalow was not made available for audit.

### 3.3 Replies to audit queries

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Replies to 4 and 3 audit queries issued to the Ministry in the year under review and the previous year respectively had not been presented even by 31 March 2016. The computable value of transactions related to those audit queries amounted to Rs.25,133,352.

### **3.4 Appropriation Account**

#### **Budgetary Variance**

The following observations are made.

- (a) The entire provision of Rs.951,950,000 made for 10 Objects had been saved. Out of the provision of Rs.10,000,000 made for holding state media award ceremony a sum of Rs.9,400,000 had been transferred to another Objects without utilizing for the intended purpose.
- (b) As over provision had been made for 42 Objects the savings after being utilised the provisions ranged from 26 per cent to 99 per cent from the provisions made.

### **3.5 Imprest Account**

Contrary to the Financial Regulation 371 (2) as amended by Public Finance Circular No.03/2015 of 14 July 2015, ad hoc sub imprests totalling Rs.796,395 had been issued in 90 instances to 10 non-staff officers.

### **3.6 Genera Deposit Account**

**The following observations are made.**

- (a) An amount expected to be spent in the ensuing year for a contract had been debited to the expenditure account in the year 2010 and retained in the deposit account. The balance of that deposit account by 31 December 2015 amounted to Rs.1,266,697, but the Ministry had not taken action to settle it.
- (b) According to the letter No.BD/356/280/3/5 dated 23 October 2006 of the Secretary to the Finance and Planning the approval had been granted to invest the tax revenue recovered from foreign teledramas, films and advertisements in treasury bills until a trust fund is established. According to the decision of the Cabinet of Ministers dated 04 November 2009, the approval had been obtained to credit that tax revenue to a deposit account and to utilize that money for the Construction of the Ranminiithenna tele cinema park and consequetional activities. Accordingly, there was a balance of Rs.102,141,007 in the deposit account and a sum of Rs.378,400,000 had been invested in Treasury Bills as at 31 December 2015. However, the above mentioned Trust Fund had not been established even by 30 April 2016.

### **3.7 Reconciliation Statement of the Advances to Public Officers Account**

Audit test check carried out in respect of the reconciliation statement of the advances to Public Officers Account bearing item No.12201 as at 31 December 2015 observed the following weaknesses.

- (a) According to the reconciliation statement presented to audit the outstanding balances as at that date totalled Rs.544,899 out of which a sum of Rs.59,380 had remained

outstanding for more than 05 years. The Ministry had failed to recover those balances even by 31 December 2015.

- (b) In terms of Paragraph 1:1.6 of the National Budget Circular No.118 of 11 October 2004, the loan balances of the officers who had gone on transfer should be settled within 3 months. Unsettled loan balances totalling Rs.463,196, recoverable from 4 officers, who had gone on transfer as at 31 December 2015, remained unsettled for more than 3 months, had not been recovered even by 31 May 2016.

### **3.8 Good Governance and Accountability**

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#### **3.8.1 Audit and Management Committee**

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Instead of holding 52 meetings of the audit and management committee of the Ministry and for 13 institutions under the Ministry in the year under review, only 18 meetings were held.

#### **3.8.2 Annual Performance Report**

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Eventhough the annual performance report should be tabled in Parliament within 150 days after the end of the financial year in terms of Public Finance Circular No.402 dated 12 September 2002, it had not been tabled in Parliament even by 31 May 2016.

### **3.9 Assets Management**

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Audit test check carried out in respect of assets of the Ministry observed the following weaknesses.

(a) **Idle and Under- utilised Assets**

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Four motor vehicles of the Ministry had been idle for about 2 years.

(b) **Conduct of Annual Board of Survey**

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The following observations are made.

- (i) In terms of Public Finance Circular No,02/2014 of 17 October 2014, the annual Board of Survey should be conducted for the year 2015 and the reports thereon should be submitted to the Auditor General before 17 of March 2016 but such reports had not been presented to audit even by 31 May 2016 by the Ministry. The last Board of Survey conducted had been for the year 2014.
- (ii) Action in terms of financial regulation had not been taken in respect of surpluses, shortages and other recommendations made by the Board of Survey reports for the year 2014.

(c) **Accounts Receivable**

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In compliance with Section 7 of the Finance Act No.11 of 2006 published in part II of the government gazette dated 31 March 2006 as a supplementary the tax revenue amounting to Rs.32,099,978 recoverable in respect of imported films, teledramas and commercial programs for the last 6 years had not been recovered from 2 Television Channels up to 31 December 2015.

**3.10 Non-compliance**

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**Non-compliance with Laws, Rules and Regulations**  
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Instances of non-compliance with the provisions laws, rules and regulations observed at audit tests check are analysed below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
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	Rs.	
(i) Financial Regulation 104 (1)(a)	3,347,577	Action in terms of financial regulations had not been taken in respect of 10 motor vehicle accidents occurred in the preceding year and the year under review.
(ii) Financial Regulation 1646	-	Except for 2 vehicles given for the daily duties of Ranminithenna Tele Cinema Park, daily running charts and monthly performance summaries relating to other vehicles had not been prepared and submitted to the Auditor General.
(b) Circulars of Presidential Secretariat		
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(i) Circular No.CA/1/17/1 dated 14 May 2010	-	In addition to the 3 motor vehicles allocated to the Minister in terms of circular, 6 vehicles had been used. In addition to the 3 vehicles entitled to the Deputy Minister he had used one vehicle of the Department of Information.
(ii) Circular No.CSA/1/1/92 dated 17 July 2015		Four vehicles by the Minister and 2 vehicles by the Deputy Minister (who was prior to June 2015) had been used for the promotion of their political

party or candidature in the general election of 2015. Eventhough a sum of Rs.100,000 had to be paid per month for one vehicle such money had not been paid.

(iii) Paragraph 3.4 of Circular No. CA/1/17/1 dated 14 May 2010 as amended by paragraph No.(1) of Circular No.CSA/1/1/92 dated 17 July 2015.

- The Ministry had not taken action to taken over 5 vehicles given to the private staff of the Minister and the Deputy Minister in terms of relevant circular instructions.

### **3.11 Foreign Aids/ Domestic Loan Projects**

#### **Performance of the Projects**

Introduction of the digital technology project for territorial television telecast, planned to be implemented in the year 2014 under the Sri Lanka Government and the JICA loans had been commenced in the year 2015. A provision of Rs.1900 million, comprising a foreign loan of Rs.950 million and the local cost of Rs.950 million, associated with foreign financing had been made. Nevertheless, that project had been suspended in the year under review and a sum of Rs.2.7 million had been spent under the local cost component for the payment of salaries to the staff informally recruited to this project. The recruitment of that staff had also been made informally.

### **3.12 Performance**

Observations on the progress of the Ministry according to the annual budget estimates for the year 2015 and the Action Plan are shown below.

#### **(a) Key Functions not Adequately Performed**

Key functions had not been adequately performed by the Ministry and few instances so observed are given below.

- (i) Action had not been taken to introduce the digital technology for the Television telecast and the films.
- (ii) Ranminithenna National Tele Cinema park Foundation Act had not been enforced.
- (iii) Eleven quarterly progress review meetings had been held, though 36 meetings should have been held.

**(b) Provision of Room Facilities**  
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Eventhough 43 rooms under 3 types of A B and C grades had been constructed to provide accommodation facilities to actors who participated in shooting in the Ranmihithenna Tele Cinema Village, their utilisation had been only 06, 07 and 15 per cent respectively.

**(c) Planning**  
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According to the action plan prepared in terms of Public Finance Circular No.01/2014 dated 17 February 2014, action had not been taken to fulfil the following activities proposed to be completed during the year under review.

- (i) Establishment of the Salasine Institute as a state company.
- (ii) Establishment of the National Broad Casting Development Authority.
- (iii) Collection of important information on economic, social and cultural affairs from newspapers.
- (iv) Implementation of the awareness programs in respect of the Ministry of Mass Media and Parliamentary Affairs and its related institutions.

**3.13 Weaknesses in Operating Bank Accounts**  
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**Adjustable balances**  
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According to the analysis of adjustments shown in the bank reconciliation statements prepared for the month of December 2015 by the Parliamentary Reforms Division, the matters revealed are given below.

Particulars of Adjustments -----	Age Analysis -----		Total -----
	Over 6 months less than 01 year -----	Over 01 year less than 3 years -----	
	Rs.	Rs.	Rs.
(i) Unrealised Deposits	200,788	-	200,788
(ii) Cheques issued but not presented for payments	419,836	433,942	853,778
(iii) Unidentified Debits	5,000,000	-	5,000,000
(iv) Unidentified Credits	3,180,422	-	3,180,422

**3.14 Irregular Transactions**  
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Certain transactions carried out by the Ministry had not been formal. Some instances observed are given below.

- (a) A sum of Rs.102,000 had been paid to the Sri Lanka Telecom for the purchase of 80 CDMA telephones to the Regional Mediamen in the Ratnapura District. It was observed that this activity had been carried out through the political organisations and



information such as the manner for which provision was made to supply telephones and the relevant approval had not been included in the file made available for audit examination.

- (b) Without getting approval for a formal scheme of recruitment, an officer had been recruited to the Post of Director General of the Ranmihithenna Tele Cinema park since 05 May 2015. Without establishing the reporting for service, salaries and other allowances totalling Rs.339,874 had been paid to him for the period from that date to December 2015.
- (c) Salaries and allowances totalling Rs.117,241 for the period from 17 August 2015 to 02 November 2015, the Minister's post was terminated had been paid to an officer who had been appointed to the Post of Assistant Secretary (Labour Relations- Non Sri Lanka Administrative Service) valid only for the period during which the Minister would hold the position. Evidence to ensure that this officer had reported for duties during that period was not presented. Accordingly, the salaries and other allowances paid to him had to be recovered but only a sum of Rs.33,110 had been recovered by the end of the year under review.
- (d) A sum of Rs.199,320 had been obtained in 21 instances by the Private Secretary to the Secretary to the Ministry of Mass media up to January 2015 and the then Secretary appointed in respect of duties performed outside Colombo. Any evidence to prove the description of duties assigned to her or the duties performed was not made available.

### **3.15 Uneconomic Transactions**

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Eventhough a sum of Rs.844,933 had been incurred during the year under review to publish newspaper advertisements and to hold interviews in order to implement a program for the supply of duty free motor cycles to media men, motor cycles had not been given even by 31 May 2016.

### **3.16 Losses and Damages**

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Observations on losses and damages revealed at audit test checks are given below.

- (a) The follow up action to ensure whether the imported commercial advertisements had been published without paying specific taxes by the Tax Division of the Ministry had not been taken. As a sample test carried out in the years 2013 and 2014, taxes amounting to Rs.2,500,000 and Rs.3,000,000 had not been recovered respectively. That sample check revealed that the loss incurred by the government only from 20 imported commercial advertisement amounted to Rs.10,000,000. As Tax Division had not paid attention in this regard, it was observed that the government had deprived of a massive revenue annually.
- (b) The total revenue earned from sale of tickets in the Ranmihithenna Tele Cinema Park, shootings, provisions of room facilities and the income in the year under review amounted to Rs.12,705,277 and the expenditure incurred on maintenance and other activities amounted to Rs.20,299,830 this incurring a loss of Rs.7,594,553.

- (c) According to the final bill submitted for the 1<sup>st</sup> phase of the contract awarded for the construction of an internal road system in the Ranmihithenna Tele Cinema Park during the year under review amounting to Rs.33,969,725, an additional sum of Rs.9,994,476 had been included therein. Accordingly, the amount payable to the contractor amounted to Rs.23,975,249 and overpayment of Rs.1,024,751 had been paid to the contractor as an advance of Rs.25,000,000 had been paid to the contractor.

### 3.17 Unresolved Audit Paragraph

Out of the audit paragraphs included in the Auditor General's reports relating to the Ministry, reference to paragraphs in which deficiencies were shown but not rectified the Ministry are given below.

Reference to audit Paragraph		Reference Subject
Year	Para.No.	
2012	8(b)(ii)	Eventhough it was stated in the action plan for the year 2012 to take action to pass a separate Act in Parliament for the Mahinda Rajapaksa Tele Cinema Park, action had not been taken to pass that Act even by 31 May 2016.
2012	12(a)	Necessary action in respect of the shortage of Rs.99,305 between the issue of ticket to Ranmihithenna Tele Cinema Park and the income received had not been taken even by 31 May 2016.
2012	1.12(j)	The code of ethics for mass media, scheduled to be completed in the year 2012 had not been completed even by 31 May 2016.
2012	1.13(c)	In issuing licences for operating broadcasting and telecasting channels, temporary licenses had been issued instead of permanent licenses. A system to issue a permanent licenses or renew the existing one had not been prepared even by 31 May 2016.
2013	5.11 (b)	According to the Section 6 (1) of the Finance Act No, 11 of 2016, a tax had been imposed in respect of telecasting programs produced in foreign countries to improve Sri Lankan Customs and observances in this country. As the programs telecasted through televisions based on cables, satellite, internet and telephones implemented under 15 licenses are not liable for this tax, the objective of imposing this tax within this country could not be achieved.

2014 3.16 (a) It was confirmed in the year 2013 that an institution which obtained the cable television licenses in the year 2012 had acted in an illegal manner. The Ministry had not taken any legal action whatsoever, not conducted any inquiry against that institution. Without formulating new policies on Television institutions based on cable satellite and internet as per the order of the Parliamentary Committee, a licenses had been issued to operate a television network through satellite technology in November 2014.

**3.18 Non – implementation of Directives given by the Committee on Public Accounts**

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 Out of the directives given by the committee on Public Accounts (COPA) relating to the Ministry on 22 January 2014, directives not implemented up to 31 May 2016 are given below.

<b>Reference to Paragraph in the COPA report</b>	<b>Reference Subject</b>
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05	Revision of the Sri Lanka Newspapers Complaints Commission, enabling to make complaints against electronic media as well.
07 and 08	Passing and the establishment of Transmission Development Authority Act, introduction of the digital technology and to submit a report to the Committee on the progress.
12	Supervision of the activities of license holders of private broadcasting and Television Channels in order to prevent in flowing government money misappropriately to private parties, charging fees annually and to introduce a methodology to renew Licenses.
13	Reporting correct information of License holders being obtained from the Registrar of Companies and to formulate a new policy on television institutions based on cable satellite and internet.
15	Presentation of annual performance reports for the years 2009 and 2010 to Parliament.
20	Presentation of a Cabinet Memorandum to obtain the approval for the expenditure incurred in the year 2010.
26	Attention had been paid in respect of the requirement of control over television advertisements and to formulate a national media policy.

### 3.19 Management Weaknesses

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Audit test checks observed the following weaknesses.

- (a) The Ministry had printed 1000 copies of magazine “FRONTIER” on development of Sri Lanka by spending a sum of Rs.648,312 in December 2014 and they had not been documented. At physical verification carried in May 2016 observed that those magazines had been dumped in the scrap material store and being decayed.
- (b) Eventhough a sum of Rs.1,162,023 had been paid to the company to which the security service of the Ranmihithenna Tele Cinema Park had been handed over since 20 July 2015 up to 31 December 2015, action had not been taken in accordance with the agreement by the company.
- (c) An officer who had not fulfilled the minimum education qualifications had been appointed to act in the Post of Manager (Development and Operations) of the Ranmihithenna Tele Cinema Park since 03 April 2014. This officer had obtained a total sum of Rs.381,107, comprising an allowance of Rs.100,000. contrary to rules and regulations, 1/20<sup>th</sup> allowance of Rs.29,425 in 10 occasions, a sum of Rs.130,574 in 8 instances for foods from the entertainment expenses advances obtained by him and a sum of Rs.121,108 as fuel expenses.
- (d) A concessionary motor vehicle permit had been issued on 03 September 2015 to an officer, whose Post of Assistant Director (Media) of the Ministry was not confirmed, and who had not completed active service of 6 years in an executive post, contrary to provisions in the Circular No.01/2013 dated 02 August 2013 issued on Trade and Investment Policies. Despite he had not fulfilled even the basic requirements and as a result of issuing a concessionary motor vehicle permit to this officer the government had deprived of a tax revenue of Rs.2,271,732.
- (e) In terms of order No.04 in the amendment made by gazette notification on 29 June 2006 it was stated that the resource persons of the Board of Survey appointed to obtain the approval for telecasting imported teledramas, films and commercial programs should be with skills in the fields in films, Television Literature, Language, Science, History, Psychology and Law. Nevertheless, the above fields had not been covered by the members existed in the Board of Survey of the year 2015 and it was observed that those officers had been limited to the fields in Media Men, Literati and Cinema Critics.

### 3.20 Human Resource Management

#### Approved and Actual Cadre

Cadre position as at 31 December 2015 is given below.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>	<b>Excess Cadre</b>
(i)	Senior Level	23	18	05	-
(ii)	Tertiary Level	04	01	03	-
(iii)	Secondary Level	111	105	06	-
(iv)	Primary Level	50	43	07	-
(v)	Others (Casual/ Temporary/ Contract Basis)	30	40	-	10
(vi)	Mass media and Parliamentary Affairs	1,015	1,015	-	-
	<b>Total</b>	<b>1,233</b>	<b>1,222</b>	<b>21</b>	<b>10</b>