

Report of the Auditor General on Head 130 – Ministry of Public Administration and Management - Year 2015

The audit of the Appropriation Account, Revenue Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 130 – Ministry of Public Administration and Management 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 02 August 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, 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

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.2,072.26 million and out of that, a sum of Rs.1,887.18 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Ministry amounted to Rs.185.78 million or 8.96 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	1,092.31	1,048.87	43.44	3.98
Capital	980.65	838.31	142.34	14.51
Total	2,072.96	1,887.18	185.78	8.96

2.2 Revenue Account

Estimated and Actual Revenue

The Ministry had prepared Revenue Estimates totalling Rs.700.00 million in respect of Revenue Code 20.02.01.01 for the year 2015 and Revenue totalling Rs.727.33 million had been collected. That represented 103.90 per cent of the estimated Revenue. Details appear below.

Revenue Code	As at 31 December 2015			Excess as a percentage of Estimate
	Estimated Revenue	Actual Revenue	Excess	
	Rs. Millions	Rs. Millions	Rs. Millions	
20.02.01.01	700.00	727.33	27.33	3.90

2.3. Advance Account

2.3.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No.13001 of the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
50.00	29.95	25.00	25.53	200.00	86.31

2.4 General Deposit Accounts

The balances of the 06 Deposit Accounts of the Ministry as at 31 December 2015 totalled Rs.23.33 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0001/0056/000	0.87
6000/0000/00/0002/0074/000	0.60
6000/0000/00/0013/0045/000	1.40
6000/0000/00/0016/0025/000	20.43
6000/0000/00/0018/0033/000	0.03
Total	23.33

2.5 Audit Observation

The Appropriation Account, Revenue Account and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Public Administration and Management had been prepared satisfactorily 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

3.1 Appropriation Account

3.1.1 Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs.70,085,000 made for 09 Objects had been saved.
- (b) Excess provisions had been made for 12 Objects and as such the savings after the utilization of provisions ranged between 31 per cent to 91 per cent of the net provisions relating to the respective Objects.
- (c) Provisions of Rs.785,028, out of the provisions of Rs.5,107,672 given by the Ministry to 24 District Secretariats for staff training activities had not been utilized. Further, the entire provisions amounting to Rs.372,000 granted to District Secretariats, Anuradhapura and Nuwara Eliya had been saved.
- (d) Even though the expenditure for Training and Skills Development of Public Officers amounting to Rs.4,019,669 should be debited to the Staff Training Object according to the Circular No.2014/01 dated 01 January 2014, that expenditure had been debited to the Foreign Travelling Expenses Object. The savings of the Staff Training Object as at the end of the year under review had been Rs.1,683,410 and as such it was observed that, if the expenditure had been brought to correct account, the provisions of the Object will be inadequate.

3.2 Revenue Accounts

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to Revenue Code 20.02.01.01 had been assigned to the Secretary to the Ministry as the Revenue Accounting Officer. The following deficiencies were observed during the course of audit tests checks relating to the Revenue Code.

- (a) According to the Revenue Account presented to audit, Revenue totalling Rs.216,564,613 had been in arrears, and the arrears of Revenue related to the period ranging from the year 2012 to the year 2015. The follow-up action on the recovery of arrears of Revenue had been at a weak level.

- (b) The Half Yearly Arrears of Revenue Reports relating to Revenue Code 20.02.01.01 had not been prepared in terms of the Financial Regulation 128 (2).
- (c) The decrease of actual revenue in the year under review had been Rs.24.2 million as compared with the actual revenue of the preceding year.

3.3 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement presented to audit the balances that remained outstanding as at that date totalled Rs.6,922,263. 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.

3.4 Assets Management

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

(a) Conduct of Annual Boards of Survey

Action on the excesses and shortages pointed out and the other recommendations made in the Reports of the Board of Survey for the year 2015 had not been taken in terms of the Financial Regulations.

(b) Assets given to External Parties

The arrears of house rent from 61 houses given to other parties except Ministers, Deputy Ministers and Members of Parliament as at 31 December 2015 amounted to Rs.48,451,133. The rental and penalties had not been recovered from the respective parties in terms of Section 5.1 and Section 7.2 of the Chapter XIX of the Establishments Code.

(c) Unsettled Liabilities

Contrary to the provisions of the Financial Regulation 94, the liabilities amounting to Rs.3,247,147 had been incurred exceeding the savings after the utilisation of provisions made for Objects in 18 instances.

3.5 Non-compliance

Non-compliance with Laws, Rules and Regulations etc.

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

Reference to Laws, Rules and Regulations -----	Value -----	Non-compliance -----
	Rs.	
(a) Chapter XIX Section 5.2.1	-	House rent had not been recovered from the houses given to 07 Officers in terms of the provisions of the Establishments Code.
(ii) Chapter XIX Sections 6.1 and 7.1	-	Even though the occupants of 04 official quarters had occupied the quarters for over a period of 05 years, legal actions had not been taken on those occupants in terms of the provisions of the Establishments Code.
 (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
Financial Regulation 104 (4)	1,705,386	Action in terms of the Financial Regulations had not been taken in respect of 05 losses exceeded for over a period of 5 years.
 (c) Public Administration Circulars -----		
Paragraphs iv, v, vi and vii of the Circular No.22/2006 dated 20 April 2007.	3,262,337	Action had not been taken to recover rent from 62 quarters provided to the Ministers, Deputy Ministers and Members of Parliament in terms of the Circular.

3.6 Foreign Funded Projects -----

The Ministry had implemented the “Project of Regional Economic Development for Good Governance” under the UNDP Project for Capacity Development required for the activities of regional economic development in difficult areas. It was agreed to provide 29.015 million American Dollars thereon as grants. Even though 2.673 million American Dollars and 26.342 million American Dollars out of that should be received through the UNDP Project and other grants respectively, the funds had been received only from the UNDP Project. The value of the grants received even by 31 December 2015 amounted to 692,716 American Dollars , while the project period had been from the year 2013 to 2017. The estimated cost of the project for the year 2015 amounted to Rs.15,000,000 while a sum of Rs.13,441,896 had been utilized for the project in the year under review.

The following observations are made in this connection.

- (a) An Action Plan had not been prepared for the project and the quarterly Performance Reports had not been furnished to audit and as such the performance of the project could not be examined.
- (b) The entire project period had been 53 months, whereas 29 months had elapsed by the end of the year under review. Even though 55 per cent of the project period had elapsed, 26 per cent of the total grants had only been utilized.

3.7 Performance

The observations on the progress of the Ministry according to the Annual Budget Estimate and the Action Plan for the year 2015 are given below.

- (a) According to the Annual Performance Report prepared by the Ministry, the financial and physical progress of the activities implemented to execute the expected objectives in the year under review had been shown. Nevertheless, the accuracy of the progress could not be established due to the non-submission of particulars based on, to ensure those values.
- (b) The approved cadre for 13 services including 06 island wide services stood at 102,412 and 8,544 posts out of that, had been vacant by 30 June 2016. However, action had not been taken to fill those vacancies annually.

3.8 Unresolved Audit Paragraphs

The following deficiency pointed out in the Reports of the Auditor General in the preceding years relating to the Ministry had not been rectified.

**Reference to Report of the Auditor
General**

Subject under Reference

Year **Paragraph Number**

2011 **1.4**

Two houses situated in Kotta Road, Borella had been maintained for a religious centre, and it was informed to take action for vesting of those houses to the Ministry from the Chief Incumbent who used the houses, according to the Decision of the Cabinet of Ministers dated 23 May 1996. But action had not been taken accordingly.

3.9 Management Weaknesses

The following observations are made.

- (a) Action had been taken to conduct Efficiency Bar Examination for the Services of Sri Lanka Administration Service, Sri Lanka Engineering Service, Sri Lanka Scientific Service, Sri Lanka Technological Service and Sri Lanka Architect Service through Sri Lanka Institute of Development Administration from the year 2010 exempting from the Department of Examination of Sri Lanka without a concurrence of the Commissioner General of Examinations. It could not be satisfied in audit on that decision due to the reasons such as confidentiality and security methodologies implemented in the Department of Examinations of Sri Lanka had not been implemented in the Sri Lanka Institute of Development Administration, non-conducting of efficiency bar examination twice a year and more expenses had to be incurred by the Ministry for an applicant as compared with the Examination Department.
- (b) All expenses inclusive of accommodation, food and travelling expenses and course fees had been incurred by the respective institutions for the Minister of Public Administration and Management, the Private Secretary to the Minister and 04 officers who participated for 2 foreign training programmes during the year 2015. A sum of Rs.1,549,511 had been paid as subsistence contrary to paragraph 4(b)(i) of the Public Finance Circular No.01/2015/01 dated 15 May 2015.

3.10 Human Resources Management

Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	69	62	07
(ii)	Tertiary Level	17	11	06
(iii)	Secondary Level	534	452	82
(iv)	Primary Level	179	156	23
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	Total	799	681	118
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