

Report of the Auditor General on Head 164 –Ministry of Southern Development -Year 2015

The audit of the Appropriation Account including the financial records, books, registers and other records of the Head 164- Ministry of Southern Development for the year ended 31 December 2015 was carried out in pursuance of provisions of 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 04 August 2016. The audit observations, comments and findings on the account 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.

1.1 Responsibility of the Chief Accounting Officer for the Account

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions of 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 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 55.94 million and out of that 39.04 million had been utilized by the end of the year under review. Accordingly the savings out of the net provisions of the Ministry amounted to Rs.16.90 million and represented 30.21 per cent of the net provisions. Details are given below.

Expenditure	As at 31 December 2015			Savings as a percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	31.07	18.61	12.46	40.10
Capital	24.87	20.43	4.44	17.85
Total	55.94	39.04	16.90	30.21

2.2 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Ministry of Southern Development for the year ended 31 December 2015, have 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 Reports appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of and Records

A Register of Fixed Assets had not been maintained in terms of the Treasury Circular No.842 of 19 December 1978.

3.2 Lack of Evidence of Audit

Five transactions totalling Rs 18,000,000 could not be satisfactorily vouched in audit due to non-presentation of required evidence such as estimates for expenditure ,performance reports the Ministry.

3.3 Appropriation Account

3.3.1 Budgetary Variance

The following observations are made.

- Due to non- utilization of provisions made for 17 Objects properly, the savings after the utilization of provisions ranged from 51 per cent to 93 per cent of the net provisions relating to the respective Objects.
- The entire net provision amounting to Rs.7,500,000 made for 19 Object had been saved.

(c) The expenses of the year 2015 had been accounted under the Head 164 by the of Accounts Summary December and a Supplementary Accounts Summary. Even though , transactions of recurrent expenditure of 165 paying vouchers had been accounted in each Objects ,the accuracy of the accounting of the above expenses of the said Objects could not be established due to the Objects had not been stated accurately in the paying vouchers or in the Cash Book.

3.4 Assets Management

Even though according to the Form DGSA-04 of the Ministry of Southern Development, purchase of fixed assets and construction of buildings by Capital Objects totaled Rs.11,431,366 during the year, a sum of Rs.12,673,675 had been shown as the value of fixed assets according to the Register of Non-current Movements.

3.5 Fruitless Expenditure

Even though the Ministry had been amalgamated with the Ministry of Law and order, payments totaling Rs. 15,571,365 had been made under the Head164 –Ministry of Southern Development even after the amalgamation, as the preparation of the inside of the premises of the Ministry, purchase of office equipment and monthly building rent. However, a sum over 15 million had been spent as mentioned above for the maintenance of the Ministry for the period of the year 2015, it is observed in audit that it was a fruitless expenditure.

3.6 Human Resources Management

Approved and the Actual Cadre

Cadre position as at 31 December 2015 was as follows.

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior level	12	04	08
(ii) Tertiary Level	11	05	06
(iii) Secondary Level	15	-	15
(iv) Preliminary Level	<u>20</u>	<u>03</u>	<u>17</u>
Total	58	12	36
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