

Report of the Auditor General on Head 194 – Ministry of Telecommunication and Digital Infrastructure Facilities - Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 194 – Ministry of Telecommunication and Digital Infrastructure Facilities 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 30 September 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 for the Ministry amounted to Rs.1440.55 million and out of that Rs.858.61 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Ministry amounted to Rs.581.94 million or 40 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	101.74	94.14	7.60	7.47
Capital	1,338.81	764.47	574.34	42.90
Total	1,440.55	858.61	581.94	40.40

2.2. Advance Account

Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Ministry under Item No.19401 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
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
2.00	1.44	0.20	1.15	20.00	3.73

2.3 Imprest Account

The balance of the imprest account No.7002/0000/00/0419/0015/000 of the Ministry as at 31 December 2015 amounted to Rs.0.06 million.

2.4 General Deposit Account

The balance of the Deposit Account No.6000/0000/00/0013/0110/000 under the Ministry as at 31 December 2015 amounted to Rs.0.07 million.

2.5 Audit Observation

The Appropriation Account, and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Telecommunication and Digital Infrastructure Facilities 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

3.1 Appropriation Account

The following observations are made.

- (a) Entire net provisions amounting to Rs.120.45 million made for 05 Objects had been saved.

- (b) Excess provisions had been made for 24 Objects and as such the savings after the utilization of those provisions ranged from 12 per cent to 89 per cent.

3.2 Imprest Account

The following observation is made.

The Ministry had issued imprests without obtaining estimates for the purpose when issuing Ad hoc sub-imprests. As such the savings after completion of the purpose had ranged from 41 per cent to 90 per cent in 15 instances.

3.3 Good Governance and Accountability

3.3.1 Annual Procurement Plan

A procurement plan for the months from September to December 2015 had not been prepared in terms of the National Budget Circular No.128 of 24 March 2006.

3.3.2 Internal Audit

An internal audit unit had not been established for this Ministry. The Secretary had informed me, that an Internal Audit Officer had not been assigned to the Ministry as requested and as such the Internal Audit Unit could not be established.

3.3.3 Annual Performance Report

Even though the Annual Performance Report should be tabled in Parliament within 150 days after the closure of the financial year by the Ministry in terms of Public Finance Circular No.402 dated 12 September 2002, the Performance Report had not been tabled in Parliament even by 30 June 2016.

3.4 Unsettled Liabilities

The unsettled liabilities of the Ministry less than one year old as at 31 December 2015 amounted to Rs.301 million.

The following observation is made in this connection.

The liabilities amounting to Rs.43 million had been incurred exceeding the savings after the utilization of provisions made for 07 Objects without complying the Financial Regulation 94 (1).

3.5 Performance

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

Key Functions not executed Adequately

(a) Schools Computer Laboratories Project

The above mentioned project which executed by the Ministry of Telecommunication and Information Technology implemented in the preceding year should have been executed by the Ministry of Telecommunication and Digital Infrastructure Facilities from 21 September 2015. The progress on continued activities from the year 2014 to the year 2015 and the progress on activities proposed to be implemented by the Ministry in the year 2015 are given below.

Description	2015	Number of Laboratories to be Completed in the year 2015 Continued from the year 2014	Provision
	-		-
			Rs.Million
Number of Laboratories expected to be completed	79	138	400
Physical Progress	39	136	248
	-		
Balance	40	2	152
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The following observations are made in this connection.

- (i) This project had been commenced in the year 2012 and targeted to construct 684 school computer laboratories up to 31 December 2015. Out of that, 444 schools had been covered only in 03 Districts of Kegalle, Ampara and Anuradhapura concurrently to the “Deyata Kirula Programme.” That represented 65 per cent of the constructions targeted and the balance 35 per cent had been planned to cover 22 districts.
- (ii) The target was to give training to 2 teachers of a school for every school computer laboratory. Even though 186 teachers should be trained at the rate of 2 teachers for 93 school computer laboratories established, the number of teachers trained had been only 152. The training in respect of 44 laboratories established in Kalutara and Matara Districts in the year 2015 had only been given to 25 teachers of Kalutara District. The Secretary to the Minister had informed me that it was not possible to facilitate training for all teachers as planned and action had been taken to hold a workshop in future for the teachers who had not obtained the training.

- (iii) Even though the schools for which a Computer Laboratory had not been received under another project, should have only been selected when selecting of school computer laboratories, the project had not considered it in the selections of schools as well.
- (iv) Eventhough, it was proposed to construct 125 school computer laboratories in Ampara District in the year 2012, only 93 schools had been opened as at 31 December 2015. It represented a progress of 74 per cent.
- (v) The computers and accessories agreed to purchase for the schools in Ampara District had been distributed to the school computer laboratories established in Matara and Kalutara Districts in the year 2015. As such the computers and accessories for 32 schools in Ampara District had not been purchased even by 25 February 2016. However, the System Network of 16 schools had been completed before the supply of computers.

(b) Construction of District Information Centres

The District Information Centres Project had been commenced in the year 2014 and it had been planned to construct 25 District Information Centres Island wide. The project had been implemented under the Ministry of Telecommunication and Information Technology in the preceding year and it was implemented under the Ministry of Telecommunication and Digital Infrastructure Facilities from 21 September 2015. The following observations are made in connection with the above project.

- (i) Even though it was planned to establish 10 District Information Centres for the year 2015, no Information Centre had been implemented at the end of the year under review.
- (ii) Out of the 06 continued District Information Centres in the year 2014, 04 Centres only had been established in Kalutara, Puttalam, Galle and Matale Districts. Out of them, 03 centres had been opened and the Matale Centre could not be opened for a period nearly one year due to an administration reason.
- (iii) The follow up action on the implementation of Information Centres had not been carried out by the Ministry.
- (iv) The provision amounting to Rs.436,000 given to purchase computer tables and chairs for the Vauniya District Information Centre had been utilized for an another activity.
- (v) According to the project Report prepared by the Ministry for the year 2014, the building for the establishment of each District Information Technology Centre should be provided by the District Secretary. Nevertheless, action had been taken to construct a new two storied building only for the Galigamuwa

Information Technology Centre in Kegalle District. The following observations are made in this connection.

- * Even though the foundation stone had been laid on 30 May 2014 to construct the above centre, the Building Construction Plan had been furnished to the District Secretary only on 29 July 2014. Similarly, a sum of Rs.454,200 had been incurred to publish newspaper advertisements and for printing works for the opening ceremony of laying foundation stone.

- * An agreement had been entered into with a new contractor on 23 November 2015 for stage II of the building and an expenditure amounting to Rs.1,718,020 had been estimated for the stage II. According to the agreement, constructions of the building should be completed and handed over on or before 20 December 2015. Nevertheless the constructions of the respective building had not been completed even by 30 July 2016, the date of audit.

- * Even though the provisions had been given by the Ministry to construct the above building, the follow up action thereon had been at a very weak level. The District Information Technology Centre had not been established from the year 2014 even by 11 July 2016.

- (vi) Approval had been obtained to recruit 25 Information Technology Officers for 25 District Information Centres while no employee had been recruited.

(c) Jaffna Information Technology Park

The project of the Jaffna Information Technology Park implemented in the preceding years by the Ministry of Telecommunication and Information Technology had been implemented under the Ministry of Telecommunication and Digital Infrastructure Facilities from 21 September 2015. The following observations are made in this connection.

- (i) Even though a sum of Rs.19.49 million had been incurred from the year 2013 up to 31 December 2015, the computer training had been given only to 444 persons.

- (ii) Diploma in Office Management and one workshop on International Electronic Mail had been held once in 06 months in every year. However the progress thereon was not adequate as compared with the amount incurred.

(d) Projects Implemented by Information Technology Agency

According to the financial progress report furnished to audit by the Information Technology Agency, the expenditure of the project amounted to Rs.317.90 million and out of that a sum of Rs.106.70 million had been incurred for the Establishment and Administration activities. That represented

33 per cent of the total expenditure. The Secretary had informed me, that all resources and consultancy services required for the implementation of the projects had been planned at the beginning of the year 2015 and required establishment and operating expenses to maintain the institute and to implement all projects had been included under project expenditure. The following observations are made in this connection.

- (i) Physical progress furnished by the Agency could not be compared with the Action Plan as the activities expected to execute under each main programme had not been stated separately in the Action Plan prepared by the Ministry.
- (ii) According to the physical progress report, there were 21 activities which had not been implemented completely under each programme and there were 08 activities which had been achieved the progress less than 50 per cent.

3.6 Deficiencies in the Operation of Bank Accounts

Dormant Bank Accounts

A balance of Rs.200,500 had remained in a Bank Account maintained by the Ministry and this account had been dormant as at 31 December 2015 for a period less than 01 year.

3.7 Irregular Transactions

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

Deviation from the Government Procurement Guideline Procedure

(a) Purchase of Tablet Computers – Rs.1,077,300

An efficient communication system should have been maintained with the District Secretaries to prepare District Information Technology Plan and to implement that plan concurrently to the “Workshop on One Government 2020”. As a preliminary basis, Tablet Computers to the value of Rs.1,077,300 had been purchased by stating that the requirement of providing Tablet Computers to the District Secretaries. The following observations are made in this connection.

- (i) Even though the Procurement Committee had decided to purchase 25 “Huawei m18” Android type Tablet Computers at the rate of Rs.39,000 per one, 27 Tablet Computers had been purchased on 29 December 2014 and 30 December 2014.

- (ii) Even though these purchases had been made for efficient communication with the District Secretaries, one Tablet computer had been given to the Ministry of Highways and Investment Promotion.
- (iii) Receipt orders were not made available for the Tablet computers given to District Secretaries of Kalutara, Mulatiuv, Mannar, Batticaloa, Ampara, Badulla and Kegalle.
- (iv) An agreement had not been entered into for this purchase in terms of the Guideline 8.9.1 of the Government Procurement Guidelines.

(b) Purchase of Office Equipment for the Renovations of the Office of the Minister

A sum of Rs.1,599,897 comprising Rs.621,455 for repairs of the office premises of the Minister and Rs.998,442 for repairs of the wash room had been incurred on 15 September 2015 and in December 2015 respectively. Further a sum of 780,050 comprising Rs.337,500 and Rs.780,050 had been incurred to purchase furniture and office equipment in October 2015 and December 2015 respectively. The following observations are made in this connection.

- (i) The provisions of the Guideline 3.8.1 of the Government Procurement Guidelines could not be followed for this purchase. Nevertheless the purchases had been made following said Guideline without following the relevant Government Procurement Guidelines.
- (ii) The Ministry had not taken action to prepare BOQs by an officer who had a technological knowledge in carrying out above repairs. As the BOQs had not been prepared as above, the bids offered by 03 institutions could not be compared and the manner of selection of the accurate and lowest bidder could not be stated clearly.
- (iii) Even though the authority of the Chief Accounting Officer should be obtained for the procurements more than Rs.1 million when following shopping procedure in terms of the provisions of the Government Procurement Guidelines, that authority had not been obtained for the above procurement.
- (iv) Agreements had not been entered into for the procurements such as repairing office premises of the Minister, repairing wash room and purchasing of office equipment in terms of the Guideline 8.9.1 of the Government Procurement Guidelines.

3.8 Uneconomic Transactions

The following uneconomic transactions were observed during the course of audit test checks carried out on the transactions of the Ministry.

- (i) In terms of the paragraph 1 of the Circular No.CA/1/17/1 of the Secretary to the President dated 14 May 2010, the Ministries and the offices of all institutions under the Ministries should be maintained in the buildings belonging to the Government or

Public Corporations as far as possible. Nevertheless, a private building had been taken on rent by the Ministry of Telecommunication and Information Technology prior to the year 2015 and present Ministry from the year 2010 with the extensions of the period. A sum of Rs.16.03 million had been incurred thereon in the year under review.

- (ii) According to the directive issued to the Ministry of Telecommunication and Information Technology by the Committee on Public Accounts held on 04 July 2012, it was agreed to establish the office building in an another suitable place within a period of 06 months for the purpose to control the high expenditure incurred in respect of the office building. Nevertheless that directive had not been executed even by end of the year under review.

3.9 Human Resources Management

Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	12	08	04
(ii)	Tertiary Level	29	02	27
(iii)	Secondary Level	33	19	14
(iv)	Primary Level	20	15	05
(v)	Others (Casual/ Temporary/ Contract Basis)	01	01	-
	Total	95	45	50

- (i) There were 50 vacancies as at the end of the year under review. According to the Appropriation Account prepared for the year 2015, there were savings in the provisions, but the vacancies of the cadre had not affected to the savings of the provisions without being utilized.
- (ii) In terms of the paragraph 2.1 of the Circular of the Secretary to the President on Management of Public Expenditure No.CA/1/17/1 dated 14 May 2010, the number of personal staff of the Minister and the Deputy Minister should be 15. Nevertheless 21 personal staff had been deployed.