

Report of the Auditor General on Head 320 – Department of Civil Security - Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records books, registers and other records of the Head 320 - Department of Civil Security 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 General of the Department on 30 June 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 Reconciliation Statements

The Chief Accounting Officer and Accounting Officer are 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

(a) Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.17,477.92 million and out of that, Rs.17,301.40 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Department amounted to Rs.176.52 million or 1.01 per cent. Details appear below.

Expenditure	<u>As at 31 December 2015</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs. Millions	Rs. Millions	
Recurrent	17,289.92	17,114.02	175.90	1.02
Capital	188.00	187.38	0.62	0.33
Total	17,477.92	17,301.40	176.52	1.01

(b) Utilisation of Provisions made available by other Ministries and Departments

Provisions amounting to Rs.2.9 million had been made available by the Department of Wild Life Conservation for various activities to the Department and provisions of Rs.1.6 million out of that had been utilized. Accordingly, provisions of Rs.1.3 million or 44.83 per cent had been saved out of the provisions made.

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. 32001 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
340.00	372.55	310.00	321.05	48.00	14.89

2.3 Imprest Account

The balance of the imprest Account No.7002/0000/00/0396/00/0015/000 of the Department as at 31 December 2015 amounted to Rs.1.67 million.

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Department of Civil Security 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 Non-maintenance of Registers and Books

The Register of Security had not been updated by the Department in terms of the Financial Regulation 891 (1).

3.2 Appropriation Account

3.2.1 Provisions made available by other Departments

The following observations are made relating to the provisions granted by the Department of Wild Life Conservation.

- (a) Provisions of Rs.4,709,268 had been granted by the Department of Wildlife Conservation for the construction of 35 kilometres electric fence at, Icepeela Annasigala on 04 March 2013. Nevertheless, the constructions of 13 kilometres had not been completed even by the end of the year 2015.
- (b) The advances amounting to Rs.1,065,400 granted to 05 Range Officers for the constructions of the electric fence in the year 2013 had been settled in cash without being executed the respective work.
- (c) Out of the advances given for the constructions of the electric fence in the year 2013, a sum of Rs.3,058,360 had not been settled even by March 2015.

3.3. Good Governance and Accountability

Annual Performance Report

Even though the Annual Performance Report should be tabled in Parliament within 150 days after the closure of the financial year in terms of the Public Finance Circular No. 402 dated 12 September 2002 the report had not been tabled in Parliament even by 27 May 2016.

3.4 Assets Management

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

(a) Irregular use of Assets belonging to Other Institutions

Sixteen vehicles had been given by the Presidential Secretariat to the Department of Civil Security in the year 2006 without a proper approval while those vehicles had not been transferred so far.

(b) Unsettled Liabilities

Liabilities amounting to Rs.27,594,941 had been incurred by the Department as at 31 December 2015.

3.5 Non-compliances

(a) Non-compliance with Laws, Rules and Regulations

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
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 371 (c)	1,960,582	Ad-hoc sub imprests granted in 08 instances had not been settled immediately after the completion of the purpose.
(ii) Financial Regulation 381 (1)	-	Forty seven bank current accounts and 23 savings accounts had been opened without obtaining the approval of the Department of Public Accounts.
(iii) Financial Regulation 395 (b) and (c)	-	The Bank Reconciliations for 19 Bank Current accounts belonging to the Projects of the Department had not been prepared.
(b) Public Finance Circulars		

Circular No.PED/RED/01/04/2015 dated 14 July 2015 Paragraph "b"	33,312,935	Ad-hoc sub - imprests had been issued in 33 instances exceeding the limit of Rs.100,000 without obtaining the approval of the Department of Public Finance.

3.6 Transactions of Contentious Nature

Certain transactions entered into by the Department had been of contentious nature. Particulars of several such instances observed during the course of audit test checks appear below.

- (a) Despite 200 Departmental flags had been purchased on 22 June 2014, another 200 flags had been purchased at Rs. 990,000 for the Ceremony held in Mihinthale on 22 November 2014. Nevertheless, those flags had been supplied by the supplier to the Department on 22 December 2014 after the respective ceremony held.

- (b) The maximum number of guards attached to the projects amounted to 24,000. Nevertheless, 36,000 travelling bags had been purchased by incurring a sum of Rs.66,600,000 out of the income of the various projects of the Department. Accordingly 12,000 travelling bags had been purchased in excess. Even though the approval of the Procurement Committee of the Ministry should be obtained for the purchase, the entire order had been split into 4 parts and purchased with the approval of the Departmental Procurement Committee. All travelling bags purchased as above, should be handed over to the stores by 30 September 2013. Nevertheless, 1,100 travelling bags valued at Rs.2,035,000 had not been supplied by the supplier to the stores even by December 2015.
- (c) Ad-hoc sub imprests totalling Rs.1,590,510 granted in 08 instances had been settled after retained in hand for a long period without utilizing for the respective purposes.

3.7 Irregular Transactions

----- Deviation from the Government Procurement Guidelines Procedure -----

The following observations are made in this connection.

In terms of Guideline 8.9.1 (b) of the Government Procurement Guidelines, a written agreement should be entered into with the supplier in purchasing of any goods or service exceeding Rs.500,000. Nevertheless, action had not been taken accordingly in respect of following procurement activities.

- (i) Sewing and providing 50 Ceremonial uniforms and 40 Office uniforms by incurring Rs.1,653,624.
- (ii) Covering ceiling and both sides of the walls from the entrance up to the stair case of the Headquarters building using paneling by incurring a sum of Rs.1,273,480 and non-preparation of total cost estimate in terms of the Guideline 4.3 of the Government Procurement Guidelines.
- (iii) A specified amount as retention money should be retained from every payment payable to the contractor in terms of Guideline 5.4.6 (a) of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka. However, action had not been taken to retain retention money from the payment amounting to Rs.774,200 paid to the above contractor.
- (iv) The following deficiencies were revealed in respect of the building taken on rent for the Head Office of the Department.
- * The bids had not been invited according the Government Procurement Procedure.
 - * In terms of Financial Regulation 835 (2) (a), it was not confirmed that none of the Government Building was made available which suitable for the Head Office of the Department.

- * In terms of the Financial Regulation 835 (2) (e), the period of the agreement of lease should not exceed 03 years. Nevertheless, the agreement of lease had been signed for a 05 years period for the above building.
- * Even though the lease period of the above building was ended on 30 September 2012, the Head Office of the Department had been maintained further without a new lease agreement and sums of Rs.89,447,501 and Rs.2,514,358 had been paid as rental and rates respectively up to September 2015.
- * A sum of Rs.1,461,358 had been paid on 23 January 2015 for the repairs of the above building.

3.8 Losses and Damages

Even though the value of the losses caused to vehicles due to accidents since the year 2014 amounted Rs.179,820, action had not been taken either to recover or to write off the losses even by 31 December 2015.

3.9 Uneconomic Transactions

The observations relating to the transactions entered into devoid of economy, revealed during the course of audit test checks are given below.

- (a) In view of purchasing of sarees for pre school teachers 10,000 sarees valued at Rs.14,500,000 had been purchased more than the required amount while 3,783 sarees had remained in the stores even by 09 October 2015.
- (b) According to the Annual Procurement Plan, the requirement of the shoe polish for the year had been 70,000 polish tins, but action had been taken to purchase 80,000 polish tins.
- (c) The above 80,000 polish tins had been purchased at the rate of Rs.98.80 per polish tin (without VAT). If action had been taken to purchase by enquiring the manufacturer it could have been purchased at the rate of Rs.72, per tin (with VAT). Accordingly, it was observed that a sum of Rs.3,013,440 had been overpaid for the above purchase.

3.10 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	Excess Cadre
(i)	Senior Level	15	14	01	-
(ii)	Tertiary Level	15	10	05	-
(iii)	Secondary Level	21	16	05	-
(iv)	Primary Level	40,060	38,758	1,302	-
(v)	Others (Casual/ Temporary/ Contract Basis)	-	33	-	33
	Total	40,111	38,831	1,313	33

The following observations are made.

- (i) There were 1,313 vacancies as at the end of the year under review and according to the Appropriation Account prepared for the year 2015 the provisions had been saved without being utilized. Nevertheless, the remaining vacancies of the staff had not affected to the savings of the provisions. Accordingly, it was observed in audit that the approved cadre had been overestimated.
- (ii) Action had not been taken by the Department to obtain a formal approval for the excess staff recruited.