

## Head 320- Report of the Auditor General on Civil Defense Department–Sri Lanka Army - Year 2016

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The audit of the Appropriation Account and the Reconciliation Statements including the financial records books, registers and other records of the Head 320– Civil Defense Department for the year ended 31 December 2016 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 Army Commander of Sri Lanka on 18 September 2017. 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 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

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The Chief Accounting Officer and the 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.17,531.71 million and out of that Rs.16,987.66 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Department amounted to Rs.544.06 million or 3.00 per cent. Details appear below.

Expenditure -----	<u>As at 31 December 2016</u>			Savings as a Percentage of Net Provision -----
	Net Provision ----- Rs. million	Utilization ----- Rs. million	Savings ----- Rs. million	
Recurrent	17,213.64	16,677.19	536.45	3.11
Capital	318.06	310.46	7.59	2.51
Total	17,531.71	16,087.66	544.04	3.10
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(b) **Utilization of Funds received from other Ministries and Departments**

The allocation amounting to Rs 141.88 million had been transferred to the Department by other Department to implement various activities and out of that a sum of Rs 117.87 million had been utilized. Therefore a sum of Rs 24 million representing 16.92 per cent of the allocation made had remained unspent.

2.2. **Public officers' Advance Account**

**Limits Authorised by the Parliament**

The limits authorized by Parliament for the Advances to Public Officers Account of the Department , Item No.32001 and the actual amounts are given below.

<b>Expenditure</b>		<b>Receipts</b>		<b>Debit Balance</b>	
<b>Maximum Limit</b>	<b>Actual</b>	<b>Minimum Limit</b>	<b>Actual</b>	<b>Maximum Limit</b>	<b>Actual</b>
<b>Rs.millions</b>	<b>Rs.millions</b>	<b>Rs.millions</b>	<b>Rs.millions</b>	<b>Rs.millions</b>	<b>Rs.millions</b>
450.00	574.80	312.33	2,768.88	1,000.00	77.98

2.3 **General Deposit Account**

The total balances of 02 Deposit Accounts of the Department as at 31 December 2016 amounted to Rs.303.78 million. Details are given below.

<b>Deposit Account No.</b>	<b>Balance as at 31 December 2016</b>
	<b>Rs million</b>
6000/0000/00/0002/0061/000	1.02
6000/0000/00/0018/0017/000	302.76
Total	303.78

2.4 **Imprest Account**

The balances of the Imprests aggregating Rs 56,766 had remained outstanding as at 31 December 2016 in the Imprest Account No. 7002/0000/00/0396/0015/000 of the Department.

2.5 **Audit Observation**

The Appropriation Account and the Reconciliation Statements of the Civil Defense Department for the year ended 31 December 2016 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 of this Report.

### **3. Material and Significant Audit Observations**

#### **3.1 Registers and Records not maintained**

The information required to be shown in the Fixed Assets Register of the Department had not been completed in updated manner.

#### **3.2 Utilization of Funds received from other Departments**

(a) The provisions aggregating Rs, 84.22 million had been made by the Department of Wild life Conservation in 2016 for the purpose of constructing of security huts to erect the electrical fence and out of that a sum of Rs 83.18 million had been utilized as at 31 December 2016.

(b) provisions aggregating Rs 7,663,875 had been made in 2016 to the object code of 001-2-6-2502 to implement the programs of the scheduled by the President Secretariat. The progress thereon is given below.

Programme	Provisions made	Costs incurred as at	Amount unspent as
-----	-----	31 December 2016	at 31 December
		-----	2016
	Rs	Rs	Rs
National Programme on “ Mathin Nidahas Ratak”	341,775	341,775	-
Pilot Project on Restruring of Bus Transport service of the Central Province	6,615,000	6,461,000	154,000
National Programme on “ Mathin Nidahas Ratak” in Kurunegala and Kalutara	707,100	461,500	245,600
Total	7,663,875	7,264,275	399,600
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#### **3.4 Transaction of Contentious Nature**

Some of the transactions of the Department were remained in contentious nature. The details on several transactions revealed at the audit tests are given below.

(a) The contract for the repairing of a Land Rower motor vehicle had been awarded on 22 October 2015 to a private entity in Piliyandala area at a cost of Rs 1,658,275. The certification had been issued by the Officer in Charge for the vehicle maintenances and stated that the respective motor vehicle had been handed over to the Department on 10 May 2016 after completing the repair works successfully. However, it was revealed at the checking of Vehicle Running Charts for the month of May 2016 that the respective motor vehicle had been assigned to a Lieutenant Cornel attached Vishvamadu Camp for an official duties. It was further revealed that 3,960 kilometres had been run from 01 to 31 May 2016 and 514 litres of fuel had been used therefore.

- (b) The bids had been called on urgent basis to procure 900 travel mattress for the use of officers of the Civil Defense Corp worked as emergency relief groups during the period of floods occurred in May 2016. The bid had been awarded at a higher price on the basis to complete the contract within 03 days without considering the bids submitted at lower prices to complete the contract within 07 days. Therefore, the contract had been awarded at a cost of Rs 1.49 million to procure 500 large mattress and 400 small mattress. However, the goods had been supplied with delays in 49 days and as a result, the mattress could not be utilized for the intended purposes under emergency situation. Subsequently, the respective mattress had been issued to the stores located at the camps of the Department at Welisara, Kebiyhigollewa, Katunayake, Polonnaruwa and Wennawatte.
- (c) The Department had procured 35,000 pairs of canvas shoes at a cost of Rs 49.04 million. According to the conditions of the contract, the supply should be completed on or before 08 September 2016. However, 16,525 pair of shoes had been supplied with a delay over 03 months. Further, the Department had received 5,000 pairs of shoes on 09 April 2016 of which 02 days before entering into the contract. Further performance guarantee bond furnished for the contract had been expired only on 05 October 2016, and no action had been taken even as at 08 December 2016 to extend the period of the guarantee bond.

### **3.5 Improper Transactions**

Certain transactions entered by the Department were not done in proper manner. The instances observed in audit are given below.

- (a) Action should be taken to enter into written agreement with the supplier on procurement of goods and services valued at Rs 500,000 or more as per paragraph 8.9.1. of the Government Procurement Guidelines. However, the action had not been taken to enter into written agreements with the supplier on following procurements.
- (i) For the purpose of construction works under Stage -01 of the proposed buildings for new administration block at the camp of the Department at Molpe in Moratuwa, 390 Plywood sheets of 4'X8' in size valued at Rs 3,390 each had been procured at a cost of Rs 1.47 million (with VAT) from a Private entity.
- (ii) A sum of Rs 1.14 million (with VAT) had been paid to a private entity to procure 13 Air Conditioners and accessories for Head Office of the Department and Camp at Monaragala.
- (iii) The procurement of 400 departmental flags in size of 100cmX 150cm valued at Rs 4,375 each had been made from a private entity at a cost of Rs 1.75 million for the use of all the camps and training centres of the Department.
- (b) A sum of Rs 2.37 million had been spent to procure uniforms for a sports colour awarding ceremony and action had not been taken to obtain a performance bond from the supplier thereon, as required by the paragraph 5.4.10 of the Government Procurement Guidelines.

### 3.6 Losses and Damages

The carried forward value of losses on motor vehicle accidents from 2014 upto 31 December 2016 amounted to Rs 179,820.

### 3.7 Uneconomic Transactions

The details on uneconomic transaction revealed at the test checks are given below.

- (a) The Department had procured 60,000 Green and Deserts name tags at a cost of Rs 8.76 million for the officers in- service. However, at the time of the procurement made, the stocks of 18,153 Green emblems and 16,804 Deserts emblems were remained in hand at the Wennawatte stores of the Department. Further, 38,819 officers are remained in service and therefore, 17,319 emblems in excess had been procured. Accordingly, a sum of Rs 2.28 million had been additionally spent thereon.
- (b) According to the Gazette Notification of 31 March 2015 of the Consumer Affairs Authority the maximum price of a 50 kilogram bag of cement was determined and published as Rs 870. However, the supplier who quoted the lowest price of Rs 990 per bag had been selected, out of the bids received for the quotations called to procure 2,500 bags of cement for the projects implemented at the zonal offices and training centres of the Department and a sum of Rs 2.48 million. Therefore, a sum of Rs 300,00 had been over paid to procure 2,500 bags of cement due to excess payment of Rs 120 per bag when compared with maximum retail price of a bag. Further, possibility to discuss to obtain a discounted price on procurement of a large stock of cement had not been considered. According to the contract agreement, the supply order should be completed by 30 November 2015, only 1,370 bags of cement had only been supplied as at the above mentioned date.

### 3.8 Human Resources Management

#### Approved Cadre and Actual Staff

The cadre position as at 31 December 2016 is as follows.

Category of Employees -----	Approved Cadre -----	Actual Cadre -----	Number of Vacancies -----	Excess cadre -----
(i) Senior Level	23	14	09	-
(ii) Tertiary Level	84	59	25	-
(iii) Secondary Level	21	16	05	-
(iv) Primary Level	40,060	38,565	1,495	-
(v) Others (Casual/ Temporary/ Contract Basis)	-	09	-	09
Total	40,188	38,663	1,534	09
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