

## Report of the Auditor General on Head 102–Ministry of Finance - 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 102 –Ministry of Finance 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 Secretary to the Ministry on 30 June 2017. The audit observations, comments and findings on the accounts and the Reconciliation Statements were based on a review of the Accounts and the 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 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

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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, 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

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### 2.1 Appropriation Account

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#### Total Provision and Expenditure

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The total net provision made for the Ministry amounted to Rs. 3,552.71 million and out of that, Rs. 3,173.76 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. 378.95 million or 10.66 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	1,068.81	964.34	104.47	9.77
Capital	2,483.90	2,209.42	274.48	11.05
Total	3,552.71	3,173.76	378.95	10.66

## 2.2 Advances to Public Officers Account

### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.10201 of the Ministry 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
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Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
19.00	18.92	10.50	11.00	70.00	44.66

## 2.3 Imprest account

The balance of the imprest account number 7002/0000/00/0266/0016/000 under the Ministry as at 31 December 2016 was Rs.3.0 million.

## 2.4 General Deposit account

The total Balances of 4 Deposit Accounts under the Ministry as at 31 December 2016 was Rs.85.81 million. Details are shown below.

<u>Deposit Account Number</u>	<u>Balance as at 31 December 2016</u>
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	Rs.Millions
6000/0000/00/0001/0085/000	0.03
6000/0000/00/0002/0102/000	0.15
6000/0000/00/0016/0050/000	85.18
6000/0000/00/0018/0062/000	<u>0.45</u>
Total	85.81
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## 2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Ministry of Finance 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. However; the Director General of the State Accounts prepared and presented account as the accounting officer of Democratic Socialist Republic as at 31 December 2016. These statements are off the above Reconciliation statement and appropriation Account that audit observations of republic account have not been included in this report.

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

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#### **3.1 Non – Maintenance of Registers and Books**

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The audit test checks were revealed that the Ministry had not been maintained following registers.

Type of Register	Relevant Regulation
(a) Register of Computer Accessories and Siftware	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
(b) Register for losses	Financial Regulation 110
(c) Register for liabilities	Financial Regulation 214

#### **3.2 Reconciliation Statements of Advances to Public Officers Account**

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The audit test check was reviled following observations of Advances to Public Officers Account Item No. 10201 as at 31 December 2016.

- (a) The receivable amount of five officers who had left the post had been Rs.901,667.It was held from 2 to 12 years time period .The Ministry had failed to complete the recovery or to settle getting suitable Measures.
- (b) The Ministry had not acted to prepare the monthly control accounts and to balance the CC-10 register during the year under review.

#### **3.3 Performance**

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A provision had been made to construct a housing complex for the staff officers who are working in the financial ministry of Finance and under its departments of the Treasury. That was amounted to Rs.270 million and amounted to Rs.600 million in the year 2015 and 2016 respectively. In the year 2015 total provision had been saved and in the year 2016 provision had been totally transferred to another object code. The ministry has told that, owing to other priorities and immediate completion requirement of the new Treasury building relevant provided provisions have been transferred to another object according to the financial regulations.

### 3.4 Deviation from the Government Procurement Guidelines Procedure

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The following observations are made.

- (a) The Ministry of Finance had printed 850 copies of year 2017 budget speech in three languages; Sinhala, Tamil, English and 200 copies only in English language all together 1050 copies had been printed. Total expenses amounted to Rs.20.75 million and for one copy of three languages were Rs.22,774 and one copy of English language was Rs. 6,946 and it had been cost too much.
- (i) When the deviation from the government procurement procedure, the supplement of government procurement procedure No.28 of 04 July 2014 has to be followed and deviated occasions as follows.
- Deviating from the government procurement procedure to have procurement more than Rs.10 million cabinet approvals should be taken but, this procurement of Rs.20.75 million had been done by approval of Ministry procurement committee.
  - The instances when the deviation from government procurement procedure the reason for that should have been clearly recorded. A copy of that should be sent to the Auditor General but action had not been taken to do so.
- (ii) The procurement committee had approved printing subject to maximum 1000 copies. Copies 1050 had been printed exceeding approved limit by printing another 50 copies.
- (b) To provide transportation facilities for supervision ministers of the government development project, the government had paid Rs.3.28 million to a private transportation service institute in 2016. In the cabinet memorandum presented to the parliament in 11 July 2016 by the minister of finance had been mentioned considering the competitive prices in the market, the transportation service had been taken from a transport service institute. However, according to the file presented to the audit it was revealed that without following government procurement procedure based on competitive price an institution had been selected directly.
- (c) For repairing of communication system in the ministry auditorium, competitive prices had not been called. Considering this as a special occasion, procurement committee had directly approved to purchase at Rs.1.10 million from the institute which was done initial fitting of the system. However, Audit was not verified according to 3.5.1 of the procurement guideline relevant occasional reasons had been prevailed in the occasion at this procurement was carried on.

### 3.5 Informal Transactions

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- (a) A sum of Rs. 40.65 million had been paid to two internal media institutions for attracting foreign investors to Sri Lanka to make international business community aware in the year 2016. However, before implementing this program the ministry had not been jointly undertaken and investment promotion jointly with institutions involved.
- (b) When providing this media service, this media service institute has been directly selected without considering the provisions of the government procurement guideline to select the most financially advantageous and quality service provider.  
If so, it was observed that the cabinet approval was later received.

### 3.6 Human Resources Management

#### Approved Cadre and Actual Cadre

The position on the cadre of the Ministry as at 31 December 2016 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i)	Senior Level	46	31	15
(ii)	Tertiary Level	9	06	03
(iii)	Secondary Level	154	119	35
(iv)	Primary Level	183	178	05
(v)	Others (Casual/Temporary/Contract Basis)	57	36	21
	<b>Total</b>	<b>449</b>	<b>370</b>	<b>79</b>

There were six vacancies of Senior Administrative level including one vacancy for Deputy Secretary to the Treasury.