

**Report of the Auditor General on Head 114 – Ministry of Transport and Civil Aviation  
-- Year 2016**

The audit of the Appropriation Account, Revenue Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 114 – Ministry of Transport and Civil Aviation 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 28 July 2017. The audit observations, comments and findings on the accounts and 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, Revenue Account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 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.49,919.19 million and out of that Rs.35,006.40 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry amounted to Rs.14,912.79 million or 29.87 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of the Net Provisions
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	17,910.42	17,238.45	671.97	3.75
Capital	32,008.77	17,767.95	14,240.82	44.49
<b>Total</b>	<b>49,919.19</b>	<b>35,006.40</b>	<b>14,912.79</b>	<b>29.87</b>

## 2.2 Revenue Account

### ----- Estimated and Actual Revenue -----

The Ministry had prepared Revenue Estimates totalling Rs. 7,000.00 million in respect of a Revenue Code No.20.03.02.08 for the year 2016 and Revenue totalling Rs.6,809.67 million had been collected in the year under review. As such, revenue had been under collected by Rs.190.33 million representing 2.72 per cent of the estimated revenue. Details appear below.

Revenue Code -----	As at 31 December 2016 -----			Deficit as a Percentage of Estimated Revenue -----
	Estimated Revenue	Actual Revenue	Deficit	
	Rs. Millions	Rs. Millions	Rs. Millions	
20.03.02.08	7,000.00	6,809.67	190.33	2.72

## 2.3 Advances to Public Officers Account

### ----- Limits Authorized by Parliament -----

Limits authorized by Parliament for the Advances to Public Officers Account, Item No.11401 of the Ministry and the actual amounts are given below.

Expenditure -----		Receipts -----		Debit Balance -----	
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
11.00	10.99	4.70	6.65	45.00	29.12

## 2.4 General Deposit Accounts

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The balances of 02 General Deposit Accounts of the Ministry as at 31 December 2016 totalled Rs.635,198. Details appear below.

<b>Deposit Account Number</b>	<b>Balance as at 31 December 2016</b>
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	<b>Rs.</b>
6000/0000/00/0013/0112/000	520,646
6000/0000/00/0016/0102/000	114,552
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	<b>635,198</b>
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## **2.5 Audit Observation**

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The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Ministry of Transport and Civil Aviation 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 said Management Audit Report appear in paragraph 3.

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

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### **3.1 Appropriation Account**

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#### **Budgetary Variance**

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The following observations are made.

- (a) The entire net provision amounting to Rs.56.95 million made for 11 Objects had been saved without being utilized.
- (b) Excess provision had been made for 31 Objects and as such the savings, after the utilization of provisions, ranged between 05 per cent and 98 per cent of the net provisions relating to the respective Objects.

### **3.2 Revenue Accounts**

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The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to Revenue Code 20.03.02.08 – Revenue from Embarkation Tax had been assigned to the Secretary to the Ministry as the Revenue Accounting Officer. The following deficiencies were made during the course of the test audit of that Revenue Code.

- (a) Even though the basis of computation of revenue should be identified in forecasting revenue from embarkation tax, it had not been so done.
- (b) According to the information of the Department of Immigration and Emigration, the number of Sri Lankans and Foreigners who departed from Sri Lanka totalled 3,493,903 comprising 1,333,384 and 2,160,519 respectively in the year 2016. However, according to the data of the Civil Aviation Authority, the number of persons departed by reserving tickets was 2,994,487. As such, the revenue

recoverable according to the data of the Department of Immigration and Emigration should be Rs.6,288,422,700 and in the comparison of the said revenue with the revenue collected in the year 2016 amounting to Rs.6,122,684,400, the negative variance had been Rs.165,738,300. That variance had been 2.64 per cent of the revenue to be collected.

### **3.3 Reconciliation Statement on Advances to Public Officers Account**

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According to the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No. 11401, the balances that remained outstanding as at that date totalled Rs.1,290,058 and even though those outstanding balances remained over periods ranging from 01 year to 17 years, the follow-up action on the recovery of those outstanding balances had been at a weak level.

### **3.4 Good Governance and Accountability**

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#### **Annual Action Plan**

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Even though the Ministry should prepare an Annual Action Plan in terms of the Public Finance Circular No. 01/2014 of 14 February 2014, the Action Plan prepared for the year 2016 had not been in accordance with circular instructions.

### **3.5 Assets Management**

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#### **Conduct of Annual Boards of Survey**

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The following observations are made.

- (a) According to the Public Finance Circular No. 05/2016 of 31 March 2016, the Board of Survey for the year 2016 should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2017. Nevertheless, the reports on the Boards of Survey of the year 2016 had not been furnished to Audit even by 31 May 2017.
- (b) Action on the excesses and shortages pointed out and the other recommendations made in the Reports of the Board of Survey for the year 2015 had not been taken in terms of the Financial Regulations.

### **3.6 Non-compliances**

#### **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 analyzed below.

- (a) The Compulsory savings that should be made from expenditure on fuel and transport had not been made in terms of paragraph 2 of the National Budget Circular No.07/2015 of 29 December 2015.
- (b) Even though 23 motor vehicle accidents had occurred in the year under review, preliminary reports for only 12 accidents had been submitted within 07 days from the date of the accident in terms of Financial Regulation 104(3) and in the submission of remaining reports, there had been a delay from 01 month to 15 months.

### **3.7 Foreign Aid Projects**

The Ministry had implemented the Project on the construction of the new railway line from Matara to Kataragama under foreign finance during the year under review. The estimated cost thereof according to the Credit Agreements and Construction Agreements totalled Rs.36,166 million. Even though provisions of Rs.18,915 million had been made for the Project during the year under review, only a sum of Rs.6,461 million had been utilized. The following observations are made in connection with this Foreign Aid Project.

- (a) The mobilization advances of US\$.83.46 million granted to the contractor by the Project had not been recovered properly. As such, the Ministry had recovered only a sum of Rs.US\$.29.6 million out of the said amount by December 2016.
- (b) It had been planned to complete the Project by 31 July 2016. The physical progress of the constructions as at that date was 72 per cent. The Project period had been extended up to 30 September 2017 for the remaining constructions of the Project. The overall physical progress of the Project had been 81.7 per cent as 89.3 per cent of the construction of bridges, 98.8 per cent of the construction of tunnels and 70.4 per cent of the removal of soil planned by the year under review. Moreover, construction of railway stations and railway lines had not been commenced by that date.
- (c) The savings out of the value agreed for consultancy contracts by 31 July 2016 amounted to Rs.84.31 million. New estimates valued at Rs.91.36 million had been prepared for the project period from 01 August 2016 to 31 December 2017. Even though a sum of Rs.56.4 million out of those estimates had been approved, an implementation programme had not been prepared for estimates for which the approval of the Cabinet of Ministers had been received.
- (d) The value of consultancy contract of the original estimate included the provisions amounting to Rs.68.4 million or 20 per cent in an uncertain manner and out of that, only a sum of Rs.4.28 million had been spent by 31 July 2016. It was observed that those

savings had been allocated for consultancy supervision without utilizing for intended purposes.

- (e) In terms of Section 3.6 of the Consultancy Contract Agreement, Giving approval for designs and supervision of consultancy was the key function. Nevertheless, contract programmes had to be revised in 05 instances due to reasons such as failure to approve designs according to the agreement, approvals for designs contrary to the agreement, approvals for designs not in compliance with the site, non-maintenance of Check List that the supervision of consultancy was carried out and untrained officers were engaged in supervision. Moreover, it was observed that those constructions had to be removed in certain instances due to weaknesses in plans and low quality of constructions.
- (f) Objectives, scope, activities and consultancy responsibilities are indicated in Section 3.3 of the Consultancy Contract Manual and the qualifications, experience and Conditions on Recruitment of the officers recruited to the Project, should be in accordance with the said Section. However, the report including Conditions on Recruitment had not been submitted.
- (g) Provisions of Rs.25,381,059 had been granted on 02 December 2014 to the District Secretary, Matara by the Project on the construction of Railway Line from Matara to Kataragama for the construction of 03 canals within the area of the authority of Dickwella Pradeshiya Sabha and out of that, a sum of Rs.7,532,564 had been spent as at 31 December 2016. The final total estimated value submitted relating to these 3 canals was Rs.20,601,569 by 26 October 2016 while the contract value and the value of certified bills amounted to Rs.20,521,448 and Rs.20,789,064 respectively. It was observed at the physical examination carried out by 01 August 2017 relating to these 03 canals that there were 03 instances of certifying overpayments totalling Rs.321,548, seven instances of lack of evidence for Audit for payments totalling Rs.6,396,427 and 07 instances of occurring negative variances to the total of Rs.2,498,052.

### **3.8 Implementation of Projects under Domestic Financing**

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Five projects had been identified as new railway line development projects and annual provisions had been made for over a period therefor. Provisions of Rs.41 million had been made for 05 projects in the year under review and even though provisions totalling Rs.31 million had been made for 04 projects out of them, those projects had not been implemented.

### **3.9 Management Weaknesses**

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The following observations are made.

- (a) Savings, out of capital provisions made for the Ministry by Annual budget estimate for the period from the year 2010 to the year 2016, ranged between 24 per cent and 88 per cent. As such, the process on efficient utilization of capital provisions by the Ministry, was problematic.

- (b) Provisions of Rs.18,915 million had been made in the year under review for the Project on Matara –Beliatta Railway Line. However, out of that, only a sum of Rs.6,461 million had been utilized by the end of the year under review. As such, savings, out of provisions made amounted to Rs.12,454 million or 66 per cent.

### 3.10 Human Resources Management

#### (a) Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	39	27	12
(ii)	Tertiary Level	05	05	-
(iii)	Secondary Level	130	97	33
(iv)	Primary Level	83	48	35
(v)	Other (Casual/ Temporary/ Contract Basis)	02	01	01
	<b>Total</b>	<b>259</b>	<b>178</b>	<b>81</b>

#### (b) Human Resources obtained from other Parties

The information relating to the human resources obtained by the Ministry from institutions which are under purview of the Ministry, are given below.

	Category of Employees	Number	Other Party
(i)	Computer Operator	02	Sri Lanka Transport Board
(ii)	Driver	11	Sri Lanka Transport Board
(iii)	Others	05	Sri Lanka Transport Board
(iv)	Office Aides	11	Department of Sri Lanka Railways
(v)	Technical Assistant	09	Department of Sri Lanka Railways
(vi)	Casual Labourer	09	Department of Sri Lanka Railways

(vii)	Driver	03	Department of Sri Lanka Railways
(viii)	Others	05	Department of Sri Lanka Railways
(ix)	Office Aides	03	Ministry of Health
(x)	Driver	02	Ministry of Health