

Report of the Auditor General on Head 130 Ministry of Public Administration and Management - 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 Ministry of Public Administration and Management - Head 130 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 of the Ministry on 31 July 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 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 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. 1520.77 million and out of that Rs. 1469.71 million had been utilized by the end of the year review. Accordingly, a sum of Rs. 51.06 million or 3.36 per cent had been saved out of the total net provision made available for the Ministry. Details are given below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	1041.58	1027.95	13.63	1.31
Capital	479.19	441.76	37.43	7.81
Total	1520.77	1469.71	51.06	3.36

2.2 Revenue Account

Estimated and Actual Revenue

The Ministry had prepared Revenue Estimates totalling Rs. 750.00 million in respect of Revenue Code 20.02.01.01 for the year 2016 and Revenue totalling Rs.789.53 million had been collected in the year under review. That represented 105.27 per cent of the Estimated Revenue. Details appear below.

Revenue Code	As at 31 December 2016			Excess / (Shortfall) as a percentage of Estimate
	Estimated Revenue	Actual Revenue	Excess/ (Shortfall)	
	Rs. Millions	Rs. Millions	Rs. Millions	
20.02.01.01	750	789.53	39.53	5.27

2.3 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts Item No.13001 of the Ministry 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
85.00	54.82	24.00	25.28	133.00	105.07

2.4 General Deposit Accounts

The total of the balances of 05 Deposit Accounts under the Ministry as at 31 December 2016 was Rs. 17.557 million . Details appear below.

Deposit Account No.	Balance as at 31 December 2016
	Rs. Millions
6000 /0000 /00 /0001 /0056 /000	0.210
6000 /0000 /00 /0013 /0045 /000	5.860

6000 /0000 /00 /0016 /0025 /000	11.130
6000 /0000 /00 /0018 /0033 /000	0.004
6000 /0000 /00 /0002 /0074 /000	0.353

Total	17.557
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2.5 **Audit Observation**

The Appropriation Account, Revenue Account and the Reconciliation Statement for the year ended 31 December 2016 of the Ministry of Public Administration and Management 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 observations out of the Audit Observations included in that Management Audit Report appear in paragraph 3.

3. **Material and Significant Audit Observations**

3.1 **Appropriation Account**

3.1.1 **Budgetary Variance**

The following observations are made.

- (a) Out of the net provision totalling Rs. 19,853,600 made available for 5 Objects a sum of Rs. 7,375,679 had been saved after utilizing a sum of Rs. 12,477,921 . That had been ranged between 16 per cent to 74 per cent of the net provisions.
- (b) Even though the expenditure should be managed within the expenditure limit made available by the Budget Estimates in terms of Paragraph (2) of the Circular No. 07/2015 of 29 December 2015, additional provision amounted to Rs. 45.7 million had been made available for the Object 130-1-5-2401 in contrary to that. Additional provision was 304 per cent out of the initial provision made available.

3.2 **Revenue Accounts**

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to 20.02.01.01 Revenue Codes had been assigned to the Secretary to the Ministry as the Revenue Accounting Officer. The following deficiencies were observed during the course of the test audit of those Revenue Codes.

(a) Revenue Codes 20.02.01.01 – Rent on Government Building

The following observations are made.

- (i) According to the Annual Budget Estimates, a collection of Revenue amounting to Rs. 750.00 million had been estimated relating to the Revenue Code. A sum of Rs. 789.53 million had been collected as at the end of the year under review and that amounted to 105 per cent of the estimated Revenue.
- (ii) According to the Revenue Account, the Revenue amounting to Rs. 221,227,142 had been in arrears and that arrears of Revenue related to periods ranging from 01 year to 10 years.
- (iii) A sum of Rs. 5,622,640 had been newly reported as arrears income in the year under review as arrears income amounted to Rs. 1,214,529 for the year 2015 and arrears income amounting Rs. 4,408,111 for the year 2014 and the years prior to that . Further, even though a sum of Rs. 744,014 had been identified as Building Rent Income relating to 10 Revenue Heads by the Treasury Printouts in the year under review, as a result of actions not taken to obtain Arrears Income Reports and Revenue Reports etc. on those Heads it was impossible to satisfied in audit in respect of the correctness of the arrears income.
- (iv) The arrears Rent receivable from the Department of Foods as at 31 July 2017 amounted to Rs. 46,527,303.

3.3 Reconciliation Statements on Advances to Public Officers Account

According to the Reconciliation Statements on Advances to Public Officers Account Item No. 13001, the balances remained outstanding over periods ranging from 01 year to 05 years totalled Rs. 5,107,460 as at 31 December in year under review. Including these loan balances, the loan balances receivable from the officers who had died, left the office, and transferred on Secondment Basis amounting Rs. 33,691, Rs. 600,339 and Rs. 1,150,837 were shown respectively and action had not been taken to recover those arrears loan balances.

3.4 Assets Management

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

(a) Assets given to External Parties

Instances of certain assets released irregularly to other external parties by the Ministry were observed.

- (i) According to the Cabinet Decision No. අම/00/1848/23/019 dated 02 November 2000 the construction activities of 20 houses which were built for the Officers in Foreign Service had been completed in the year 2006. Even after the completion of those construction activities action had not been taken to acquire the 07 houses belonging to the Ministry which were allocated to the Officers engaged in Sri Lanka Foreign Service.
- (ii) A sum of Rs. 32,208 had been paid as the taxes from the year 2011 to the year 2016 for the two houses situated at Cotta Road, Borella belonging to the Ministry; where the Religious Centre is being maintained without permission . However, action had not been taken to acquire those two houses to the Ministry and occupy them for the activities of the Ministry even by the 04 August 2017.

(b) Unsettled Liabilities

The following observations are made.

- (i) It had been entered into the liabilities amounting Rs. 2,140,869 for the savings of Rs. 327,908 under the 13 Objects and also entered into the liabilities amounted to Rs. 1,812,961 more than the limit allowed in terms of the Financial Regulation 94 (2).
- (ii) Even though it was emphasized the Zero Based Approach should be followed in terms of the Section 4.2 of the National Budget Circular No. 07/2015 dated 29 December 2015 , in contrary to that, it had been entered in to commitment of liabilities in 397 instances for the 13 expenditure Objects amounting Rs. 4,172 ,961.

3.5 Non-compliances

Non- compliances 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.

Reference to Laws, Rules and Regulations

Non- compliance

- (a) **Establishment Code of the Democratic Socialist Republic of Sri Lanka**

Sections 6.1 and 7.2 of Paragraph XIX

Action had not been taken in terms of these Sections with regard to the Residents in 05 houses.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulations 104 (4)

Even though more than a period from 3 months to 07 years had lapsed for the losses belonging to 04 instances totalled to Rs. 3,248,456, actions had not been taken to finalize the examinations in respect of those losses.

(ii) Financial Regulations 1642

Thirteen vehicles had met with accidents in 15 instances in the year under review. Actions had not been taken with regard to the conducting of sufficient examination, identifying the guilty and recovering the losses.

(c) Public Finance Circulars

Circular No. 03 /2015 of 14
July 2015

Even though the advances should be granted at the instance as near as the day of achieving the related duty, the advances had been offered ranging from 05 days to 22 days before the commencement of the activity in the National Productivity Secretariat. Similarly, the advances should be settled at once after the completion of the related activity before 10 days being lapsed, it had been settled after a delay ranged from 17 days to 80 days.

(d) Procedural Rule of Public Services Commission of the Democratic Socialist Republic of Sri Lanka No. 1589/30 of 20 February 2009
Rule 195 and 203 of paragraph XVII of Volume I

(i) Action had not been taken to implement the annual transfers of the Accountancy Service and 670 Officers had been deployed at the same service station for the period ranging from 05 years to 16 years.

(ii) According to the information furnished in respect of the annual transfers in Public Management Assistants Service and 05

Other Services in the year under review and the 04 preceding years, the annual transfers had been given only to the number of applicants less than 50 per cent out of the number of annual transfer applications forwarded in every year.

3.6 Foreign-aid Projects

The value of the grants received from the UNDP Project up to 31 December 2016 to the foreign funded project was US Dollars 727,729 from the year 2013 to the year 2017 for the divisional economic development activities in difficult areas for the development of required capacity. Further, the estimated cost of the project for the year 2016 had been Rs. 4,000,000. A sum of Rs. 3,983,696 had been utilized for that Project in the year under review. The following observations are made in respect of this Foreign-aid Project.

- (i) An Action Plan had not been prepared with regard to the Project and because of the Quarterly prepared Performance Reports were not furnished to the audit the performance of the operating activities of the project could not be quantified.
- (ii) Even though a Fixed Assets Register should be maintained in terms of 625 (1) (b) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, a Fixed Assets Register had not been maintained in respect of the fixed assets belonging to the Project valued at Rs. 11,401,370.

3.7 Implementation of Projects by Domestic Financing

A project had been commenced for the construction of a housing complex comprised with 1452 houses in the year 2006 and even though a sum of Rs. 5,019,262 had been paid to the Urban Development Authority, Central Engineering Consultancy Bureau and the Building Department by the end of the year 2012 this project had not been commenced even up to the month of April 2017.

3.8 Performance

The observations in respect of the progress of the Ministry according to the Annual Budget Estimates 2016 and the Action Plan are mentioned below.

- (a) An Action Plan had not been prepared as per the information could have been able to obtain to confirm the financial and physical progress of implemented activities for the achievement of the expected objectives during the year under review

- (b) The following exclusions were observed at the instance of examination of the Progress Report prepared.
- (i) Even though a sum of Rs. 1 million had been provided for the conduction of external training courses for the Building of Groups and Leadership Training Programmes , the programmes had been conducted for 34 Officers by spending Rs. 0.124 million. The financial progress of that was only 68 per cent.
 - (ii) Even though a sum of Rs. 1 million was provided for the implementation of a Performance Management System and short term training programmes for the 200 technical trainees and officers, that programme had not been implemented.
- (c) The approved cadre for the 13 services including 06 island wide services was 102,596 and out of that 11,454 posts were in vacant as at 31 December 2016. Accordingly, it was observed that the actions had not been taken to fill the vacancies annually.

3.9 Irregular Transactions

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

(a) Deviation from Government Procurement Procedure

The following matters were observed in respect of the expenditure incurred amounted to Rs. 60.22 million by obtaining Rs. 45.7 million by additional provisions and Supplementary Estimates in addition to the estimated Rs. 15 million for the of National Productivity Award Ceremony to be held.

- (i) Even though the quotations had been obtained for the hall facilities in the month of September 2016, as a result of mentioned as the Stein Studio in Ratmalana had been selected for the awarding ceremony to be held according to the paper advertisement for the selection of the Event Manager in the month of August 2016, the selected place had been decided before the calling quotations for the hall facilities.
- (ii) The instances of the actions not taken in terms of the Guideline 1.2.1 of Government Procurement Guidelines 2006 in respect of the above matters were as follows.
 - As a result of awarding the tender to an organization which had offered a price higher than the price offered at the lowest for the selection of an Event Manager, it had been had to pay a sum of Rs. 1,611,600 in excess and the specialized reasons for the such selections had not been provided.

- A sum of Rs. 5,219,048 had been paid to a private organization at the 60 instances for the vehicles used for the productivity judgement activities and even an enquiry had not been made to obtain vehicles from the Ministry as an optional method for the minimization of the expenditure.

(b) Un- authorized Transactions

A Certificate Course with regard to the Productivity had been implemented by charging a Rs. 15,000 from each officer by the Productivity Secretariat . 28 Officers who were deployed in Development Assistant posts of the Productivity Secretariat had followed these Courses in the year 2016. Though the fees had not been charged , action had not been taken to obtain the approval from the Secretary to the Ministry for that.

3.10 Management Inefficiencies

The arrears rent income receivable from the houses belonging to the Ministry as at 31 December 2016 was Rs. 55.18 million and the following matters were observed in that connection.

- (a) Even though it was mentioned as the arrears rent receivable from the Land Reform Commission was Rs. 36.04 million, according to the financial statements of the Commission it was observed that the arrears rent payable was Rs. 7.47 million. Despite this institution had moved from the building actions had not been taken to recover the arrears rent.
- (b) The house rent receivable amounted to Rs. 3.83 million had not been recovered from 59 Members of the Parliament / Ministers from the year 2015.
- (c) The house rent which should be received from 14 officers up to the year 2012 totalled Rs. 7.18 million had not been recovered even up to the year 2016 and legal action had not been taken in this regard.
- (d) Actions had not been taken to recover the house rent up to month of June 2017 for the house obtained by the President's Office in the month of June 2015 and the house handed over to the Attorney General in the month of April 2016 .

3.11 Human Resources Management

Approved Cadre and Actual Cadre

Cadre position as at 31 December 2016 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior level	67	57	10
(ii) Tertiary Level	17	16	01
(iii) Secondary Level	534	412	122
(iv) Primary Level	195	162	33
Total	813	647	166