

Report of the Auditor General on Head 145 – Ministry of Rehabilitation, Resettlement and Hindu Religious Affairs - Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records, of the Head 145 – Ministry of Rehabilitation, Resettlement and Hindu Religious Affairs for the year ended 31 December 2016 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review had been issued to the Secretary to the Ministry on 19 September 2017. The audit observations, comments and findings on accounts and reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and substantive 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 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, Public Finance and Administrative Regulations. This responsibility includes; designing, implementing and maintaining internal control necessary to enable 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.17,925.58 million and out of that, a sum of Rs.14,622.93 million had been utilized by the end of the year under review. Accordingly, savings out of the net provisions of the Ministry amounted to Rs.3,302.65 million representing 18.42 per cent of the total net provision. Particulars are given 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	955.09	932.77	22.32	2.34
Capital	16,970.49	13,690.16	3,280.33	19.33
Total	17,925.58	14,622.93	3,302.65	18.42

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.114501 relating to the Ministry and the actual values 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
6.00	5.99	4.00	4.22	37.00	11.46

2.3 General Deposit Account

The total balances of two deposit accounts under the Ministry as at 31 December 2016 totalled Rs.14.87 million. Particulars are given below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. (Mn)
6000/0000/00/0015/0056/000	0.04
6000/0000/00/0016/0055/000	14.83

Total	<u>14.87</u>

2.4 Audit Observation

The Appropriation Account and Reconciliation Statements of the Ministry of Rehabilitation, Resettlement and Hindu Religious Affairs for the year ended 31 December 2016 have been prepared satisfactorily, subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. Out of the observations, the material and significant observations appear in Paragraph 3 herein.

3. Significant and Material Audit Observations

3.1 Non-maintenance of books and records

The Ministry had not maintained the Register of Fixed Assets properly and in an updated manner, in terms of Treasury Circular No.842 of 19 December 1978.

3.2 Replies to audit queries

Replies to two audit queries issued to the Ministry in the year under review had not been furnished even by 31 March 2017 and the computable value relating to those audit queries totalled Rs.6,876.88 million.

3.3 Appropriation Account

As over provision had been made for 10 Objects, the savings after being utilized the provision ranged from 15 per cent to 100 per cent.

3.4 Good Governance and Accountability

3.4.1 Conducting annual Board of Survey

The following observations are made.

- (a) Action in terms of Financial Regulations 103, 104, 105 and 109 had not been taken in respect of excesses of 156 units of goods and shortages of 120 units of goods shown in the Board of Survey reports relating to the year 2016.
- (b) The Board of Survey had not made any recommendation in respect of 11 units of unusable goods. Even though, it was recommended to sell 95 units of goods, 42 units of goods to be destroyed and 2 units of goods to be repaired, those recommendations had not been implemented even by 31 July 2017, by the Ministry.

3.4.2 Unsettled Liabilities

The unsettled liabilities by the Ministry as at 31 December 2016 totalled Rs.119,084,228.

3.5 Non-compliances

Non-compliance with Laws, Rules and Regulations

Non-compliances with laws, rules and regulations observed at audit test checks are analysed below.

Reference to Laws, Rules, Regulations etc.	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. ----- Financial Regulation 94 (1)	1,352,640	Commitments had been incurred in excess of the savings after utilization of provisions made for four expenditure Objects.

- (b) Establishments Code of the Democratic Socialist Republic of Sri Lanka.
- (i) Section 3.1 of Chapter XV 469,369 Even though, an officer under the probation period should not be sent abroad for studies or training, except to obtain any qualification required for the confirm action of service in terms of conditions of his appointment, three officers under the probation period in the Ministry had been participated in the foreign training in 4 instances contrary to the provisions in the Establishments Code and incurred expenditure thereon.
- (ii) Section 10.4 of Chapter XXIV 146,545 A distress loan had been paid to an officer who had not completed the service of 10 years, without sureties.
- (c) National Budget Circulars

Circular No.02/2015 of 31 March 2015. 1,564,097 Even though government funds should not been used for publicity, the provision of the Ministry had been utilized to publish advertisements for various commemorations in 12 instances during the year 2016.

3.6 Foreign Aids Projects

----- Performance of the foreign aids projects -----

The following observations are made.

- (a) The total provisions made for a Housing Project implemented by the Government of India in the years 2015 and 2016 amounted to Rs.6,492 million. As the relevant money had been directly remitted to the High Commission of India and implemented the project, the expenditure had not been brought to accounts. The Ministry had not evaluated the physical performance of this project. According to the Physical Performance Reports sent by 7 District Secretariats, out of 46,000 new houses proposed to be constructed at a cost of Rs.550,000 each per house, construction of 43,727 houses and out of 1,286 houses to be repaired only the repair work of 1,282 had been completed. Even though, the High Commission of India had informed that

had the construction of 247 houses, being constructed slowly and abandoned due to various problems not been completed, action would be taken to get the unspent money back but attention in that connection had not been drawn.

- (b) The total provision made in the years 2015 and 2016 for the completion of construction of 230 houses by 30 November 2016, implemented the housing project by the government of Sri Lanka and the Government of Pakistan at Rs.550,000 each per house, amounted to Rs.126,500,000. Of these houses the construction works of only 73 had been completed and a provision of only Rs.11,000,000 representing 9 per cent of the total provision had been saved for the completion of 121 houses, the construction works of which had been completed up to the foundation level, walls, roof, doors and windows levels. The physical performance of this project had not been evaluated.
- (c) The total provision made in the years 2015 and 2016 for the construction of 260 houses at Rs.550,000 each per house implemented the housing project by the Government of Sri Lanka and the Government of Baharain amounted to Rs.143,000,000. Even though, the construction works of 120 houses had been completed therefrom, only a provision of Rs.13,025,000 representing 9 per cent had been saved from the total provision for the completion of construction works 4 houses not commenced, 01 house in which works were completed up to the foundation level, 14 houses completed up to walls level and 121 houses completed up to roof, doors and windows levels. The physical performance of this project had also not been evaluated.
- (d) The total provision made in the years 2015 and 2016 for the completion of construction works of 47 houses implemented the housing project by the Government of Sri Lanka and the Government of Kazakhstan, at Rs.550,000 each per house amounted to Rs.25,850,000. The construction work of 30 houses therefrom had only been completed. Only a provision of Rs.550,000 representing 2 per cent of the total provision had been saved to complete 17 houses which had been completed up to the level of walls. The physical performance of this project had not be evaluated.

3.7 Transactions of contentious nature

Procurement activities had been initiated in the year 2015 for a renting of a building with 35,000 square feet in extent to operate the Ministry Office and 7 institutions under the Ministry. The Technical Evaluation Committee had recommended that the building with 35,000 square feet for which the minimum quoted price of Rs.39.93 per square feet or the building with 35,000 square feet for which the second lowest quoted price of Rs.140 per square feet was suitable to obtain on rent basis. However, without considering those recommendations the Procurement Committee had decided to obtain the building with 35,100 square feet in extent on a rent basis for which the third minimum quoted price of Rs.145 per square feet. However any acceptable reasons for disregarding the recommendation of the Technical Evaluation Committee had not been reported.

Furthermore, the government chief valuer had assessed the monthly rent of the building with the third minimum quoted price for Rs.3,000,000 at Rs.85.70 per square feet. However, the Secretary to the Ministry had made a request to the Government Chief Valuer asking for an

assessment in accordance with the market rental value, stating that the owner of the building had disagreed with the above assessment. As a response, it had been assessed for a monthly rental of Rs.4,200,000 at Rs.120 per square feet. Nevertheless, disregarding the second assessment of the Government Chief Valuer, the lease agreement for the renting of building for a period of 2 years from 10 May 2016 to 09 May 2018 had been signed on the basis of paying the monthly rental of Rs.5,089,500 for 35,100 square feet at Rs.145 each per square feet.

Accordingly, an overpayment of Rs.13.34 million with the VAT thereon had been made for a period of 15 months from 10 May 2016 to 10 August 2017 in excess of the Chief Government Valuers assessment at Rs.889,500 per month.

3.8 Irregular Transactions

Certain transactions carried by the Ministry had been informal. Certain instances observed are as follows.

- (a) Without the approval of the Cabinet of Ministers or Ministry of Public Administration or the General Treasury, special allowance of Rs.5,552,700 had been paid to 488 officers in 15 Divisional Secretariats in the Jaffna District.
- (b) A sub-committee had been appointed for the assistance to the Committee appointment by the Ministry of Public Administration to provide reliefs to the persons victimized on political grounds. Two outsiders affirmed to be assisted to that sub -committee had been appointed and a total sum of Rs.705,000 had been paid at Rs.1,500 per day per person during the period from December 2015 to December 2016.

3.9 Management Inefficiencies

The Department of External Resources had requested to nominate 6 officers in the Ministry to provide foreign training on “Business Management in Developing Countries”. However, only two officers had been nominated therefor and as such the balance opportunities had not been utilized by the officers of the Ministry.

3.10 Human Resources Management

----- Approved and Actual Cadre -----

Cadre position as at 31 December 2016 is given below.

	Posts	Approved Cadre	Actual Cadre	No. of Vacancies
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(i)	Senior Level	20	11	09
(ii)	Tertiary Level	07	04	03
(iii)	Secondary Level	104	79	25
(iv)	Primary Level	36	27	09
	Total	167	121	46
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