

Report of the Auditor General on Head 147–Ministry of Regional Development - Year 2016

The audit of the Appropriation Account and the Reconciliation statements including the financial records, books, registers and other records of the Head 147- Ministry of Regional Development 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 was issued to the Secretary to the Ministry on 17 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 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 of 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.634.43 million and out of that a sum of Rs.540.60 million had been utilized by the end of the year under review. Accordingly, the savings from the net provisions made for the Ministry amounted to Rs.93.83 million or 14.79 per cent. Details appear below.

Expenditure	Net Provision	As at 31 December 2016		Savings as a Percentage of Net Provision
		Utilization	Savings	
	Rs.million	Rs.million	Rs.million	
Recurrent	469.93	421.16	48.77	10.38
Capital	164.50	119.44	45.06	27.39
	-----	-----	-----	----
Total	634.43	540.60	93.83	14.79
	=====	=====	=====	

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

Limits Authorized by Parliament relating to the Ministry under the item No.14701 in respect of Advances to Public Officers Accounts and actual values are shown below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million
2.00	0.66	0.15	0.35	3.50	2.00

2.3 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Ministry of Regional Development for the year ended 31 December 2016, 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 important audit observations out of the audit observations included in the Management Audit Report appear in paragraph 3 .

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while the Votes Ledger had not been maintained in the proper and updated manner.

	Type of Register	Relevant Regulation	Observations
	-----	-----	-----
(i)	Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978.	Not maintained
(ii)	Register of Fixed Assets for Computers, Accessories and Software.	Treasury Circular No.IAI/2002/02 of 28 November 2002.	Not maintained
(iii)	Departmental Appropriation (Votes) Ledger	Financial Regulation 447	Not Updated

3.2 Good Governance and Accountability

Internal Audit

An Internal Audit Unit had not been established in the Ministry for the execution of the financial and performance activities in a proper manner in terms of Financial Regulations 134(1).

3.3 Assets Management

Conduct of Annual Boards of Survey

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 17 March 2017. Nevertheless, the Ministry had furnished those reports to audit on 10 October 2017 with a delay.

3.4 Performance

Even though plans had been made for the execution of the following activities among the key functions of the Ministry, the aforesaid activities had not been fulfilled completely.

Activities	Provisions Provided	Financial Progress as at 31 December 2016	Observation
-----	-----	-----	-----
	Rs.million	Rs.Million	
(i) Formulation of policies, programmes and projects, monitoring and evaluation in regard to the subject of regional development, and those subjects that come under the National Agricultural Diversification and Settlement Authority (Hadabima Authority)	66.0	89.58	Even though a sum of Rs.23.58 million had been spent exceeding the provisions provided, the relevant task had not been executed completely.
(ii) Co-ordination of economic and social development programmes and projects for strengthening regional development, including promotion of industries	1.20	0.10	The expected targets of 05 activities out of 06 activities had been fulfilled and ranged between 40 per cent to 50 per cent .

(iii) Implementation of specified Development programmes in Nuwara Eliya, Kandy, Matale, Badulla, Trincomalee, Batticaloa, Ampara, Anuradhapura and Polonnaruwa Districts.	0.80	0.06	Even though provision of Rs.0.08 million had been made , activities had been planned for the utilization of only Rs.0.06 million of that. The progress of the execution of the aforesaid activities had been ranged between 10 per cent to 80 per cent.
--	------	------	---

3.5 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) The Ministry had hired the building of 49,556 square feet on monthly rental basis from a private institution for the office premises at Rs.10.69 million each per Rs.160 square feet. Even though the Government Valuer had assessed at the rate of Rs.121 per a square feet ,a sum of Rs.1.93 million had been over paid to a Private Institution at a rate of Rs.39 per a square feet a month.

A sum of Rs.283,560 had been over paid monthly as service charges for 9,452 square feet at a rate of Rs.30 per a square feet exceeding the square feet of the building which had rented out. Even though according to the Financial Regulation 835(2)(e) ,the period of the agreement should not exceeded 03 years, contrary to that an agreement of rental had been entered in to with a period of 5 years. The approval of the Cabinet of Ministers had been obtained in that connection.

- (b) The contract of the partition of the rooms in the office building of the Ministry had been granted to the Building Department without an agreement. A sum of Rs.31.15 million had been paid in that connection on two bills. Retentions had not been deducted in that connection.

3.6 Human Resources Management

Approved Cadre and Actual Cadre

Position on the cadre as at 31 December 2016 had been as follow

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	08	04	04
(ii) Tertiary Level	07	03	04
(iii) Secondary Level	42	09	33
(iv) Primary Level	22	13	09
(v) Others - Contract Basis	66	-	66
Temporary	06	02	04
Total	151	31	120

