

## Report of the Auditor General on Head 165 – Ministry of National Integration and Reconciliation – Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 165 – Ministry of National Integration and Reconciliation 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 21 August 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 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 Accounts

#### Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.397.20 million and out of that Rs.337.35 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.59.85 million or 15.06 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	76.99	46.62	30.37	39.44
Capital	320.21	290.73	29.48	9.20
<b>Total</b>	<b>397.20</b>	<b>337.35</b>	<b>59.85</b>	<b>15.06</b>

## 2.2 Advances to Public Officers Account

### Limits Authorized by Parliament

Limits authorized by Parliament for the Advances to Public Officers Account, Item No.16501 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
3.00	0.49	1.00	0.52	10.00	2.29

## 2.3 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0456/0016/000 of the Ministry as at 31 December 2016 amounted to Rs.21.03 million.

## 2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Ministry of National Integration and Reconciliation 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

### 3.1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following Registers.

Type of Register	Relevant Regulation
(a) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002
(b) Register of Losses	Financial Regulation 110

### **3.2 Lack of Evidence for Audit**

-----

Information on the manner in which the suppliers and beneficiaries were selected for distribution of agricultural equipment and preschool equipment and the originals of Reports of the Procurement Committee, had not been made available as evidence. As such, a total sum of Rs.17,129,600 relating to 03 transactions could not be satisfactorily vouched in audit.

### **3.3 Non-compliance with Limits**

-----

Even though the minimum limit of receipt, authorized by Parliament relating to Items of Advances No.16501 had been Rs.1,000,000, the actual receipts for the year under review had been Rs.520,965. As such, **action had not been taken to reach the minimum limit of receipt by Rs.479,035.**

### **3.4 Appropriation Account**

-----

#### **Budgetary Variance**

-----

The following observations are made.

- (a) The entire net provisions of Rs.400,000 made for 2 Capital Objects, had been saved.
- (b) Only a sum of Rs.12,669,797 out of supplementary provisions of Rs.19,900,000 obtained for a Capital Object had been utilized and it represented 63.66 per cent of those provisions.

### **3.5 Good Governance and Accountability**

-----

#### **Internal Audit**

-----

An Internal Audit Unit had not been established for the Ministry and the National Bureau for Peace and Reconciliation thereunder.

### **3.6 Assets Management**

-----

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

-----

Even though the Annual Boards of Survey should be carried out and reports thereon should be presented to the Auditor General before 17 March 2017 in terms of the Public Finance Circular No.05/2016 of 31 March 2016, the reports on Annual Boards of Survey of the Ministry and the National Bureau for Peace and Reconciliation thereunder, had not been presented to the Auditor General even by 04 September 2017.

### 3.7 Non-compliances

#### ----- Non-compliance with Laws, Rules and Regulations -----

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

<b>Reference to Laws, Rules and Regulations</b> -----	<b>Non-compliance</b> -----
(a) <b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> -----	
Financial Regulation 139(1)	Vouchers for settling advances valued at Rs.316,600 given for the Zonal Directors of Education Offices at Elpitiya and Denuwara, had not been certified.
(b) <b>Public Expenditure Management Circular No.CA/1/17/1- of 14 May 2010 of the Presidential Secretariat</b>	
Paragraph 2.2	In the recruitment of employees for the Post of Management Assistant on casual/contract basis, the minimum qualifications cited in the Scheme of Recruitment should be fulfilled. Nevertheless, two unqualified employees had been recruited and a sum of Rs.834,694 had been paid as salaries in the year under review.

### 3.8 Performance

#### ----- Key Functions not performed adequately -----

The following observations are made.

- (i) Even though 1,000 water tanks had been planned to be manufactured at an estimated cost of Rs.69,030,000 in the first stage of the year 2016 of the Project of manufacturing of tanks for the collection of rainwater, only 421 water tanks had been manufactured by spending Rs.31,735,050.

- (ii) Even though provisions of Rs.3.48 million had been made for the construction of 40 tube wells in Divisional Secretariat Divisions of the Vavuniya District Secretariat, only a sum of Rs.680,000 had been spent therefor. It had been stated that “according to the statement of the Secretary, the said activity could not be implemented due to heavy rain”.

### 3.9 Management Activities

-----

No evidence was made available to Audit that the Government Chief Valuer had not been enquired in respect of the rent of the building in which the Ministry is located and that observations had been obtained by submitting the agreement **prepared for renting the building, to the Attorney General’s Department**. Even though the monthly rent of Rs.1,610,000 had been paid for the building with 04 storeys, of 17,576 square feet in extent, only 47 employees had been deployed in service therein.

### 3.10 Human Resources Management

-----

#### Approved Cadre and Actual Cadre

-----

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

	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----
(i) Senior Level	11	09	02
(ii) Tertiary Level	03	01	02
(iii) Secondary Level	24	12	12
(iv) Primary Level	13	13	-
(v) Other	03	-	03
	-----	-----	-----
	<b>54</b>	<b>35</b>	<b>19</b>
	=====	=====	=====

Four officers had been recruited to the Bureau for Reconciliation on assignment basis without obtaining the approval of the Public Service Commission and the Department of Management Services.