

## Report of the Auditor General on the Head 16 – Parliament - Year 2016

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The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 16 - Parliament 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 General of Parliament on 14 September 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 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

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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 and Public Finance and Administrative Regulations. The responsibility includes; designing, implementing, 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

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### 2.1 Appropriation Accounts

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#### Total Provision and Expenditure

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The total net provision made for Parliament amounted to Rs. 2,437.44 million and out of that Rs. 2,152.55 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision had been Rs. 284.89 million or 11.69 per cent. Details appear 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	1857.45	1816.48	40.97	2.21
Capital	579.99	336.07	243.92	42.02
<b>Total</b>	<b>2437.44</b>	<b>2152.55</b>	<b>284.89</b>	<b>11.69</b>

## 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. 01601 of Parliament and the actuals 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
38.00	24.91	28	31.16	175	122.33

## 2.3 Imprest Accounts

The balance of the Imprest Account No. 7002/0000/00/0120/0016/000 of the Parliament as at 31 December 2016 was Rs. 2.7 million .

## 2.4 General Deposit Accounts

The total of the balances of 03 General Deposit Accounts of Parliament as at 31 December 2016 amounted to Rs. 43.75 million. Details appear below.

Account No.	Balance as at 31 December 2016
	Rs. Millions
6000/0000/00/0016/0088/000	42.38
6000/0000/00/0016/0040/000	0.07
6000/0000/00/0018/0051/000	1.30
<b>Total</b>	<b>43.75</b>

## 2.5 Audit Observation

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The Appropriation Account and the Reconciliation Statements of Parliament 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 significant Audit Observations out of the Audit Observations included in the Management Audit Report appear in paragraph 3.

## 3. Material and Significant Audit Observations

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### 3.1 Non - maintenance of Registers and Books

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It was observed during audit test checks that the Parliament had not maintained the Registers shown below while certain other Registers had not been updated .

	<b>Type of Registers</b>	<b>Relevant Regulation</b>	<b>Observations</b>
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(a)	Register of Electrical Equipment	Financial Regulation 454 (2)	Had not maintained
(b)	Inventory Book	Financial Regulation 454 (1)	Had not updated
(c)	Register of Losses	Financial Regulation 110	Had not updated
(d)	Vehicle Log Books	Financial Regulation 1645 (a) and 1647	Had not updated

### 3.2 Replies to Audit Queries

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Replies to 03 audit queries issued to Parliament in the year 2015 had not been furnished even by 25 August 2017 and the value of quantifiable transactions relating to those audit queries amounted to Rs. 5,132,904 .

### 3.3 Appropriation Account

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The following observations are made.

- (a) Even though 15 per cent and 10 per cent of savings should be made definitely in terms of the Paragraph (2) of the Budget Circular No. 07/2015 of 29 December 2015 , only 03 per cent

and 02 per cent respectively had been saved out of the provisions made available for the fuel and transport expenses.

- (b) As a result of non- estimation of the budget in order to the requirement identified , savings after the utilization out of the provision made available for 05 Capital Objects ranged between 34 per cent to 76 per cent .
- (c) Liabilities amounting Rs. 37,076,274 had not been disclosed in the Appropriation Account as at 31 December 2016 .

### **3.4 General Deposit Account**

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Actions had not been taken on 07 deposits totalling Rs. 303,196 older than 2 years in terms of the Financial Regulation 571 .

### **3.5 Reconciliation Statement of the Advances to Public Officers Account**

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The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2016 of the Advances to Public Officers Account Item No. 01601.

- (a) The loan balances totalling Rs. 414,539 due from two officers included in the loan balances totalled to Rs. 2,066,253 due from 19 retired and deceased officers, had been failed to recover for over a period of 12 years period.
- (b) Action had not been taken to recover the loan balances ranged from 12 years to 21 years period with regard to the loan balances totalled to Rs. 866,732 due from 11 officers included in the loan balances totalled to Rs. 1,238,831 due from 16 officers who had vacated their posts .
- (c) The loan balances totalling Rs. 98,540 due from 02 officers in receivable from the year 2007 included in the loan balances which was mentioned as other loans totalling Rs. 112,290 due from 05 officers had not been recovered even by the end of the year under review.

### **3.6 Good Governance and Accountability**

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#### **3.6.1 Annual Action Plan**

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Even though the Annual Action Plan should be prepared in terms of the Public Finance Circular No. 01/2014 of 17 February 2014 an Annual Action Plan for the year 2016 had not been prepared .

#### **3.6.2 Internal Audit**

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The following observations are made.

- (a) Annual Internal Audit Plan had not been prepared after subjecting to prior examination in terms of Paragraph 06 and 07 of Management Audit Circular No. DMA/2009 (1) of 09 June 2009 .
- (b) Quarterly Reports had not been prepared with regard to the cost of vehicles by the Internal Audit Division in terms of Paragraph 09 of Management Audit Circular No. DMA/2009 (1) of 09 June 2009 and an examination had not been carried out concerning the economy, effective and efficiency in respect of cost of vehicles.
- (c) Even though the Guidelines for the Internal Audit of Computer Information Systems were provided by the Management Audit Circular No. DMA/07 of 13 January 2012, attention had not been paid in respect of the calculation of salaries and general control regulations and mechanism , controls connected to the software of calculation of salaries and the controls following at the instance of using that software. Further, instructions had not been provided to rectify by showing the deficiencies in the information system and exclusions from the general control regulations done by the Establishment Division and the Finance Division at the instance of calculation of salaries in terms of Paragraph 11 of aforesaid Guidelines .

### **3.7 Assets Management**

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The following deficiencies were observed during the course of audit test checks carried out on the assets of Parliament.

### **3.7.1 Idle and Underutilized Assets**

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It was observed during the course of audit test checks that the certain assets as shown below had remained either idle or underutilized.

- (a) Because of activities were not carried out properly identifying the requirement with due regard to economy, efficiency, propriety and integrity expected in the transaction of purchasing in terms of Financial Regulations 128 (i) , hundred and twenty three units from 26 types of purchased toner cartridges had been in idle in the stores without any issuing during a period of a year from 19 February 2016 to 31 March 2017 . Similarly , out of the 13 types of slow moving toner cartridges 113 units had been saved during that period and certain toner cartridges out of those items included in expired stocks were older than 10 years.
- (b) As a result of activities were not performed as per the Financial Regulations above, 153 tyres , 36 rims and 50 tubes had been purchased for Rs. 3,879,459 . When adding with the stock as at 31 December 2015 , the 385 tyres, 51 rims and 344 tubes were in the entire stock had remained in the stores as at 17 August 2017. Out of this stock the usable and unusable stocks had not been identified separately.
- (c) Eight tyres had been purchased for Rs. 278,320 on 10 June 2016 for the 02 vehicles transferred to other institutions on 11 May 2016 and retained in the stores. Even though it had been informed that those 08 tyres could be able for the use of another vehicle, in addition to that 04 more tyres had been purchased despite 6 tyres were available in the stores for that vehicle. But 16 tyres were available in the stores even by 17 August 2017 and only 02 tyres had been utilized in the year 2016 .
- (d) Despite 44 tyres were available in the store for 05 vehicles , further 28 tyres had been purchased for Rs. 415,555 during the year 2016 for those vehicles. This stock of 72 tyres had been remained in the stores even by 22 March 2017 without any issuance.

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

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Even though conducting of the Boards of Survey with regard to the year 2016 and the reports thereon should be furnished to Auditor General before 17 march 2017 in terms of Public Finance Circular No. 05/2016 of 31 March 2016 , the Boards of Survey had not been conducted for the year 2016. The Board of survey had been conducted lastly in the year 2014 and 09 vehicles belonging to the Parliament had not been included in those Boards of Survey Reports.

### 3.8 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>Value</b>	<b>Non-compliance</b>
	<b>Rs.</b>	
<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
(i) Financial Regulations 94	17,699,537	Even though it could not be able to enter in to commitments, it had been entered in to commitments exceeding savings in 08 services or non-supplying Recurrent Objects and 03 Capital Objects.
(ii) Financial Regulations 104 (2) (3)	2,352,254	It had not been reported to the Treasury in respect of the 06 vehicle accidents occurred with losses and damages for more than Rs. 50,000 during the year under review and preliminary inquiries or full investigation in respect of 19 vehicle accidents including those 06 vehicle accidents had not been commenced. Further, even though 02 accidents had occurred at the same journey to a vehicle which had been handed over to an officer who had not bore a valid driving license, a complaint had not been made in the Police regarding the second accident.
(iii) Financial Regulations 755 (1) (2)		Even though at the instance of change the responsibility of the storekeeper or an officer who is responsible for goods, handing over and under taking activities should be carried out compared with the physical balance and the Stock

Registers, without such a comparing the responsibility of the tyre store had been handed over to another storekeeper from 19 November 2014.

**(b) Public Administration Circular**

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Public Administration Circular  
No. 41/90 of 10 October 1990

Although the fuel consumption should be examined once in an every 06 months , the average fuel consumption of 54 vehicles had not been examined.

**(c) Public Accounts Circular**

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Circular No. SA/AS/AA dated 24  
January 2013

Lands and buildings belonging to the Parliament had not been assessed and taken in to accounts.

**3.9 Performance**

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An Action Plan had not been prepared for the year under review and the observations on the progress of Parliament according to the Annual Budget Estimate and the Performance Reports of 2016 are given below.

(a) Even though it had been planned to conduct 101 sessions in the 08<sup>th</sup> Parliament from 01 January 2016 to 31 December 2016 only 97 sessions out of that had been conducted . The attendance of the Honourable Members of the Parliament for those 97 sessions had been as follows.

<b>Number of attended Honourable Members of the Parliament</b>	<b>Number of sessions held</b>
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From 51 to 75	01
From 76 to 100	01
From 101 to 125	13
From 126 to 150	21
From 151 to 175	45
From 176 to 200	11
From 201 to 225	05
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	<b>97</b>
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According to the details above , out of the 225 Honourable Members of the Parliament the number of participated for the sessions more than 150 were only 61 . Similarly, out of the total 97 sessions conducted during the year under review less than 150 of Honourable Members of the Parliament had participated for the 36 sessions. Further, it was observed that more than 200 number of Honourable Members of the Parliament had participated only 05 session days .

- (b) Details of the expenses such as salaries, wages, allowances, staff expenses, transport and fuel, stationaries, travelling expenses, food and beverages, office maintenance expenses, Postal and communication, electricity and others incurred for the Honourable Members of the Parliament under the Parliament Head and the Ministry of Parliament Affairs and Media Head during the 05 years from the year 2012 to the year 2016 are shown below.

<b>Year</b>	<b>Expenditure incurred under the Parliament Head for an Honourable Member of the Parliament</b>	<b>Expenditure incurred under the Ministry of the Parliamentary Affairs and Media Head for an Honourable Member of the Parliament</b>	<b>Total Annual Expenditure incurred for an Honourable Member of the Parliament</b>
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	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
2012	7,274,416	84,992	7,359,408
2013	7,148,661	85,142	7,233,803
2014	7,396,104	93,807	7,489,911
2015	7,596,424	141,684	7,738,108
2016	8,369,516	205,888	8,575,404

- (c) Details in respect of the expenses such as salaries, wages, allowances, staff expenses, transport and fuel, stationaries, travelling expenses, food and beverages, office maintenance expenses, Postal and communication, electricity and others incurred for an Honourable Minister of the Parliament under the Parliament Head, relevant Ministry Head and the Ministry of Parliamentary Affairs and Media Head during the 05 years from the year 2012 to the year 2016 are shown below.

<b>Year</b>	<b>Expenditure incurred under the Parliament Head for an Honourable Minister</b>	<b>Expenditure incurred under the each Head for an Honourable Minister</b>	<b>Expenditure incurred under the Ministry of the Parliamentary Affairs and Media Head for an Honourable Minister</b>	<b>Total Annual Expenditure incurred for an Honourable Minister</b>
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	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
2012	6,574,422	23,906,640	84,992	30,566,054
2013	6,420,765	26,490,607	85,142	32,996,514
2014	6,674,847	27,737,350	93,807	34,506,004
2015	7,054,526	25,506,983	141,684	32,703,193
2016	7,628,794	29,443,175	205,888	37,277,857

Secretary General of Parliament had made comments as it could be able to agree only with the expenses incurred under the Parliament Head for an Honourable Member of the Parliament and for an Honourable Minister of the Parliament and also it was impossible to agree inclusion of other institutions' expenses in the Auditor General's report relating to the Parliament Head .

- (c) Ninety Seven Parliamentary sessions had been conducted in the year under review and only 24 Acts had been approved out of the 30 Gazetted Government Draft Acts received to the Bills Office .

### **3.10 Deficiencies in the Operation of Bank Accounts**

The following observations are made according to the Bank Reconciliation Statement prepared by Parliament as at 31 December 2016.

According to the Bank Reconciliation Statement prepared for the month then ended 31 December 2016 , although the bank balance as at 31 December 2016 should be Rs. 876,886 the bank balance according to the bank statement was Rs. 157,995. Even though the reasons for this unfavourable balance amounting to Rs. 718,891 had been identified action had not been taken to rectify that balance even by the 23 October 2017 . According to the Bank Reconciliation Statement a sum of Rs. 718,891 had been shown deducted from the balance which should be appeared in the bank as at 31 December 2016 .

### **3.11 Transactions in the Nature of Financial Frauds**

Goods including Stationaries, office equipment , electric equipment and building materials amounting Rs. 1,761,714 had been purchased even in the year 2016 from an organization where the miscellaneous goods and services , including fuel purchased for Rs. 1,827,100 in the year

2014 and a sum of Rs. 1,783,665 in the year 2015 . In the examination carried out about the physical existence of the institution it was observed that, there was no such a business establishment engaged in the supplying of goods and services at the address provided by the supplier but it was a business place carrying out transactions under 02 business names using 03 letterheads appearing with identical address, telephone number and the fax number.

### **3.12 Losses and Damages**

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The value of the damages occurred amounting Rs. 2,316,559 from the selected 35 vehicle accidents out of the 71 vehicle accidents occurred in the 03 preceding years and because of only a sum of Rs. 2,261,614 had been reimbursed from that by the insurance companies, the loss occurred had been Rs. 54,945 .

### **3.13 Unresolved Audit Paragraphs**

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Reference to the Audit Paragraphs relating to the Parliament included in the Reports of Auditor General the deficiencies not rectified out of those pointed out in the Paragraphs included in the Reports on which the Parliament is given below.

<b>Year</b>	<b>Paragraph Number</b>	<b>Subject under reference</b>
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2015	3.2 (a)	Non - submission of the information in respect of the approved Scheme on Recruitment and Scheme on Promotions to the audit
2015	3.2 (b)	Non - completion of the activities on acquiring the ownership of the lands where the main buildings of Parliament Complex, Residence of the Speaker, Madiwela Housing Scheme and Jayawadanagama Housing Scheme situated.
2015	5.3 (a) (v)	Even though it was shown by the letter of the Director General of the Department of Management Services No. DMS/C/4/P/01 of 02 May 2008 it had been shown as restructuring of the institution should be implemented soon, it had not been so done.
2013	1.6 (a) (i)	Granting of 10 salary increments to the staff of the Parliament in addition to the annual salary increment without having the approval of the Cabinet of Ministers.

### 3.14 Management weaknesses

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The following observations are made.

- (a) The software introduced in the year 2011 to the stores of the Supply Division by the Information Technology Division of the Parliament had not been utilized even by 25 August 2017. The Register of consumable items maintained in this stores where the huge number of receipts and issuance are being carried out had not been updated and also the calculation of the cost of them had been impossible.
- (b) Even though the total of the monthly deductions from the pay sheet of an officer should not be more than 40 per cent of the salary in terms of Section 3.5 of Paragraph XXIV of the Establishments Code, without considering the fact that and without enquiring the willingness of the employees for the deduction from loan installments; the loan installments had been deducted over the limit of 40 per cent out of the monthly salaries of 155 officers by 02 welfare associations.

### 3.15 Human Resources Management

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

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

Category of Employees	Approved Cadre	Actual Cadre	Number of vacancies
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(i) Senior Level	56	54	02
(ii) Tertiary Level	162	142	20
(iii) Secondary Level	236	190	46
(iv) Primary Level	474	440	34
(v) Others (Casual / Temporary / Contract Basis)	03	02	01
<b>Total</b>	<b>931</b>	<b>828</b>	<b>103</b>
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Approval had not been obtained from the Department of Management Services for the approved Scheme of Recruitment and Scheme of Promotion for all the posts of the Parliament .