

Report of the Auditor General on Head 163 – Ministry of Internal Affairs, Wayamba Development and Cultural 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 163 – Ministry of Internal Affairs, Wayamba Development and Cultural Affairs 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 05 December 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 and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are 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. 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 of the net provision made for the Ministry amounted to Rs. 5,139.36 million and out of that, a sum of Rs. 2,862.49 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Office amounted to Rs. 2,276.87 million or 44.30 per cent. 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	853.02	827.09	25.93	3.04
Capital	4,286.34	2,035.40	2,250.94	52.51
Total	5,139.36	2,862.49	2,276.87	44.30

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. 16301 of the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs , 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
32.00	31.98	20.00	24.32	100.00	86.66

2.3 General Deposit Account

The balances of 05 deposit accounts maintained by the Ministry totaled Rs. 46.35 million as at 31 December 2016. Particulars are given below.

Deposit Account No.	Balance as at 31 December 2016

Rs. Millions	
6000/0000/00/0001/0092/000	1.82
6000/0000/00/0016/0073/000	43.08
6000/0000/00/0018/0080/000	0.75
6000/0000/00/0002/0124/000	0.01
6000/0000/00/0013/0138/000	<u>0.69</u>
Total	<u>46.35</u>

2.4 Audit Observation

The Appropriation Account, and the Reconciliation Statements of the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs for the year ended 31 December 2016 had been satisfactorily prepared 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

3.1 Non-maintenance of Registers and Books

The Ministry had not maintained the Register of Sureties. It was observed in audit test checks that Register of Fixed Assets had not been maintained properly and in an up-to-date manner.

Type of Register	Relevant Regulation	Observation

(a.) Register of Sureties	Financial Regulation 891 (1)	Had not been maintained.
(b.) Register of Fixed Assets	Treasury Circular, No. 842, dated 19 December 1978	Had not been updated.

3.2 General Deposits Account

The following observations are made.

- (a.) Action had not been taken in terms of Financial Regulation 571 (2) on 05 deposit balances totalling Rs. 1.13 million continued to exist over a period of 2 years.
- (b.) A monthly abstract statement of deposits in Form General 71 must be sent to Audit before the end of the following month in terms of Financial Regulation 565 (5). However, monthly abstract statements had not been presented in respect of 05 deposits of the Ministry in the year under review.

3.3 Reconciliation Statement for the Advances to Public Officers Account

The following deficiencies were observed in the audit test check conducted on the reconciliation statement for the Advances to Public Officers Account bearing Item No. 16301 as at 31 December 2016.

- (a.) According to the reconciliation statement presented to Audit, the balances that remained in arrears as at that date included a sum of Rs. 997,100 continued to exist over a period of 01 – 05 years, and a sum of Rs. 391,095 older than a period of 5 years. The follow-up action for the recovery of those loan balances in arrears, remained weak.
- (b.) The value of the unidentified balance amounting to Rs. 1,426,149 that had been adjusted to the summary of classification of individual balances with respect to the Advances to Public Officers Account, had continued to exist from the year 2004. No action had been taken to settle those balances.

3.4 Assets Management

The following deficiencies were observed in the audit test check conducted on the assets of the Ministry.

- (a.) Improper Utilization of Assets not Vested.

The following observation is made on the construction made by the Ministry at the assets that had not been taken over properly.

There had been 185 Cultural Centers belonging to the Ministry as at 31 December 2016, and of them, 152 had been constructed at the lands that had not belonged to the Ministry. Due to failure of the Ministry in taking over the legal rights of the said lands, various issues had arisen on the existence of those Centers.

- (b.) Non-settled Liabilities

Liabilities not settled by the Ministry totaled Rs. 1,625.77 million as at 31 December 2016. The following observations are made in that connection.

- (i) A liability of Rs. 513.41 million payable to the National Water Supply and Drainage Board had been shown in the Format DGSA 8 (i) of the Appropriation Account, but such a liability was observed not to have existed in reality.
- (ii) The liability payable to the Department of Irrigation, North Western Province, amounted to Rs. 139.54 million, but that was shown in the statement DGSA 8(i) of the Appropriation Account as Rs. 189.54 million thus overstating by a sum of Rs. 50 million.
- (iii) The total liability on the construction of SAARC Cultural Center in Nawimana, Matara, had been stated as Rs. 10.11 million, but in accordance with the bills relating to January, and February of the year 2017, the

payments amounted to Rs. 10.44 million. Accordingly, liabilities amounting to Rs. 0.33 million had been understated.

3.5 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliances with Laws, Rules, and provisions of the Regulations observed in audit test checks, are analyzed below.

Reference to Laws, Rules, and Regulations	Value	Non-compliance
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	Rs. Million	
a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 835 (3)	9.6	Before signing an agreement on obtaining buildings on lease, terms should be specifically embodied in the written agreement in consultation with the Attorney-General. Nevertheless, action had not been taken in accordance with the said Financial Regulation when the building had been obtained on lease for the office of the Wayamba Secretary.
(ii) Financial Regulation 1647 (b)	-	Surveys had not been conducted on all the vehicles of the Ministry.
b) Government Procurement Guidelines		
Guideline 1.5	304.4	For the public contracts exceeding Rs. 5 million, special attention of all the Government officers involved in Procurement process should be drawn on sections, 8 (1), 8 (2), 9 (1), 9(2), and 12 of the Public Contracts Act, No. 3 of 1987. However, action had not been taken in accordance therewith by the Wayamba Secretariat relating to 24 roads improved under the supervision of the Provincial Road Development Authority.

3.6 Performance

Observations on the progress of the Ministry in accordance with the budget estimate for the year 2016 and the Action Plan, are as follows.

Main Activities not Executed Adequately

The Ministry had not executed the main activities adequately, and some of such instances observed are given below.

- (a.) A Construction Division had been established at the Ministry in the year 2011 under the programme for establishing a Cultural Center in the division of every Divisional Secretariat, and that Division had constructed and maintained the Cultural Centers. However, the number of Cultural Centers constructed and declared open from the year 1998 up to 05 January 2016, had been 185. As at 31 December 2016, action had not been taken to construct Cultural Centers at the divisions of 123 Divisional Secretariats.
- (b.) Thirteen Cultural Centers constructed by the Ministry at an expenditure of Rs. 138,310,740, had not been declared open even up to 05 January 2017 despite a lapse of 03 years.

3.7 Irregular Transactions

Some of the transactions performed by the Ministry had been of irregular nature. Some of such instances observed are as follows.

3.7.1 Deviation from the Government Procurement Procedure

Limited competitive bids had been called for improving 24 out of 329 roads under the road development project. The following observations are made in this connection.

- (a.) Improvement of the Walpola – Nathagane Road
 - (i) Having been certified by the Executive Engineer of the Executive Engineer's Office, Wariyapola that a Backhoe Loader had been deployed at the site for 12 days under the 17th Item of Work in the payment bill, payment of Rs. 288,000 had been approved at Rs. 24,000 per day. However, it was revealed at the field audit inspection carried out with the Technical Officer on 11 January 2017 that the said Item of Work had not been carried out, and an Excavator was observed to be deployed for the constructions of the road instead of the Backhoe Loader. Nevertheless, the Audit was informed by the Secretary to the Ministry in his Letter, No. IWC/02/F-01/07/2017, dated 14 July 2017 that the said payment had temporarily been suspended , and

- instructions had been issued to immediately remove the Excavator and deploy a Backhoe Loader instead.
- (ii) Although a payment of Rs. 1,601,600 had been certified for applying and compacting 2,200 m³ of ABC mixture under 5th Item of Work relating to the said road, sheets of measurement on the application of ABC mixture had not been furnished along with the bills.
 - (iii) The tests for measuring the density of stones, had not been carried out in compliance with the Standard BS-812-2-1995.
 - (iv) A statement given to the Audit by the contractor's Engineer verified that, following the verbal orders of the Executive Engineer, Wariyapola, the contractor had applied the ABC mixture without being tested for quality standard. As such, the sum paid to the contractor for the supply, laying and application of ABC mixture on the said road, amounted to Rs. 6,160,000. Payment had been recommended prior to verifying that the materials had complied with the standard. Furthermore, action had been taken to obtain test reports from the laboratory of the Executive Engineer's Office, Wariyapola itself which had supervised the contract relating to that road. No action had been taken to obtain those reports from an independent institution.
 - (v) It was observed in the field audit inspection carried out on 12 January 2017 that a payment of Rs. 5,472,737 relating to 11 Items of Work not executed, had been recommended by the Executive Engineer and the Technical Officer of the Provincial Road Development Authority.
- (b.) The construction of roads from the annual budget estimates for the year 2016 had been assigned to the Pradeshiya Sabha, Wariyapola by the Wayamba Secretariat. The following observations are made in this connection.
- (i) In the completion of works under the direct labour basis, an estimate should be prepared for the goods, labour, and the costs on machinery, thereby purchasing the goods. Estimates had not been prepared in such a manner relating to 9 road constructions valued at Rs. 37,630,940.
 - (ii) Quality of the ABC had not been tested. Action had been taken to tar 09 roads without examining the compaction of the ABC once applied on road, and without approval of the Engineer of the Local Authority.
 - (iii) Construction of roads and the quality of the construction materials should be inspected with specification of the materials in the Schedule of road rates and the 1600 SSCM, thus making payments. However, without such an inspection, the ABC mixture and stones of the size 1 ½ “ had been obtained by paying a sum of Rs. 10,982,260 to the suppliers.
 - (iv) Estimates had been prepared for the roads by considering the height of the stones laid, to be 62 millimeters, but the maximum height of the stones was 37.5 millimeters. As the height had been erroneously estimated to be 62

millimeters, a sum of Rs. 1,506,076 had been overpaid for 699 cubic meters of stone in excess.

- (c.) A sum of Rs. 35.92 million had been spent by the Ministry for purchasing 1,000,000 identity cards. The following observations are made in this connection.
- (i) As per the criterion named “Security service life” included in the technical specification, the identity cards should have complied with the standard ISO/IEC 24789. However, according to information of the Head of the supplier available on the Internet, it was observed that such a quality certificate had not been possessed by the supplier. Despite the said bidder failing to furnish documentary evidence relating to the quality certificate included in the technical specifications, the bid had been awarded to him by the Ministry.
 - (ii) It had been stated that the card material shown in the technical specifications should be polycarbonate or similar material. Furthermore, the bidders had also been informed at the pre-bid meeting that the material of the card should be 100 per cent polycarbonate. Nevertheless, the supplier had not confirmed that the material of the card had been 100 per cent polycarbonate.
 - (iii) The quality standard ISO/IEC 10373 should have been earned relating to the criterion, strength and durability of the card included in the technical specifications. However, no documentary evidence had been furnished by the supplier in that connection.
 - (iv) According to the Procurement timetable, it had been planned to call for bids on 07 May 2016 and award the contract on 06 June 2016. The period of bid surety had been valid only until 20 October 2016, but the bid had been awarded to the relevant supplier on 01 March 2017 without extending the validity period of the bid surety.

3.8 Uneconomic Transactions

Particulars on a transaction performed uneconomically revealed in audit test check, are as follows.

The ground floor, first floor, and the second floor of the building of the Wayamba Secretariat had remained unused from 08 July 2016 up to the date of audit, 08 February 2017. However, rental for 7 months totalling Rs. 3,185,000 had been paid at Rs. 455,000 per month.

3.9 Management Weaknesses

Having planned to construct a Cultural Center in the division of the Divisional Secretariat, Madhurawala in the year 2003, a sum of Rs. 2.06 million had so far been spent thereon. Nevertheless, the Ministry could not construct and declare open the Center thus failing to provide the public with the benefits thereof.

3.10 Human Resource Management

Approved Cadre and Actual Cadre

The position of cadre stood as follows as at 31 December 2016.

Category of Employee	Approved No.	Actual No. -----	No. of Vacancies	Excess No. -----
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(i) Senior Level	23	20	03	-
(ii) Tertiary Level	05	05	-	-
(iii) Secondary Level	748	646	102	-
(iv) Primary Level	<u>580</u>	<u>603</u>	<u>12</u>	<u>35</u>
Total	<u>1356</u>	<u>1274</u>	<u>117</u>	<u>35</u>