

Report of the Auditor General on Head 122 – Ministry of Parliamentary Reform and Mass Media - Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 122 – Ministry of Parliamentary Reform and Mass Media 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 22 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 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 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 to the Ministry amounted to Rs.3,403.56 million and out of that a sum of Rs.1,502.32 million had been utilized by the end of the year under review. Accordingly, a sum of Rs.1,901.24 million or 55.86 per cent of the total net provision had been saved. 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	1,255.18	1,218.21	36.97	2.94
Capital	2,148.38	284.11	1,864.27	86.78
Total	3,403.56	1,502.32	1,901.24	55.86

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament in respect of Advances to Public Officers Account under Item No.12201 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
15.00	14.15	5.00	9.27	42.00	23.91

2.3 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0143/0016/000 under the Ministry as at 31 December 2016 amounted to Rs.0.23 million.

2.4 General Deposit Accounts

The balances of the 03 General Deposit Accounts under the Ministry as at 31 December 2016 totalled to Rs.106.45 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. Millions
6000/0000/00/0002/0166/000	0.01
6000/0000/00/0013/0121/000	106.39
6000/0000/00/0020/0018/000	0.05

	106.45
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2.5 Audit Observation

Subject to the audit observations appearing in the above Paragraph 1.1 of the Management Audit Report, Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Ministry of Parliamentary Reform and Mass Media had been prepared satisfactorily. The material and important audit Observations out of the audit observations included in that Management Audit Report appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Non -maintenance of Registers and Books

It was observed in audit test checks that Ministry had not maintained the following Registers and certain registers had not maintained properly and updated manner.

Type of Registers	Relevant Regulation	Observations
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(i) Personnel Emolument Register	Financial Regulation 453	Not maintained.
(ii) Register of Liabilities	Financial Regulation 211	Not maintained.
(iii) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978 and Section 11 as per Financial Regulations 502(2) therein.	Not updated.
(iv) Inventory Book	Financial Regulations 454(1)	Not updated.
(v) Register of Losses	Financial Regulations 110	Not updated.

3.2 Answering to Audit Queries

Answers had not been submitted to 03 audit queries issued in the year under review and 02 audit queries issued in previous years to the Ministry even by 30 November 2017. Computable transaction value relating to those queries had been Rs.8.66 million.

3.3 Appropriation Account

Budgetary variance

Following observations are made.

- (a) Provision amounting to Rs.1,799.70 million made for 05 expenditure objects had been totally saved without utilizing and out the provision of Rs.4.40 million made for 02 expenditure objects, amounting to Rs.3.50 million had been transferred to two other objects. Remaining Rs.1.90 million had not been utilized.
- (b) As over provision had been made for 08 Objects, savings after the utilization of provisions had been in a range of 27 per cent to 98 per cent of the net provisions relating to those respective expenditure objects.

3.4 Imprest Account

Contrary to the Financial Regulation 371 (2) as amended by Public Finance Circular No.03/2015 of 14 July 2015, adhoc sub imprests totalling Rs.327,700 had been issued to 05 non-executive staff officers in 08 instances.

3.5 Genera Deposit Account

The following observations are made.

According to the letter No.BD/356/280/3/S dated 23 October 2006 of the Secretary to the Ministry of Finance and Planning, the instructions had been given to invest the tax revenue recovers from foreign teledramas, films and advertisements in treasury bills until a trust fund is established. According to the Cabinet decision dated 04 November 2009, the approval had been received to credit that tax revenue to a deposit account and to utilize that money for the Construction of the Ranminithenna Tele Cinema Park and consequential activities thereto. However, the above mentioned Trust Fund had not been established even by 30 April 2017 and the balance of the Deposit Account No.6000/0000/00/0013/0012/000 as at 31 December 2016 amounted to Rs.106.40 million. Similarly, investment in Treasury Bills amounted to Rs.551.54 million.

3.6 Reconciliation Statement on Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account under Item No30601, outstanding loan balance of the officers who vacated the service amounted to Rs.22,588. Even though it had been coming over a period of 05 years, Ministry had failed to recover those outstanding loan balances.

3.7 Good Governance and Accountability

Audit and Management Committee

Even though it is required to hold 52 Audit and Management Committee Meetings in the year under review including the Ministry and 13 institutions which are under the Ministry, only 17 meetings had been held.

3.8 Assets Management

Following deficiencies were observed in the course of audit test check conducted on the assets of the Ministry.

(a) Idle and Under- utilized Assets

Even though 43 rooms under 03 types of rooms of grade A, B and C had been built to provide room facilities for those who participate to shoot at Ranmini Thenna Tele Cinema Village, their utilization in the year under review had been 04 per cent, 08 per cent and 08 per cent respectively.

(b) Accounts Receivable

In compliance with Section 7 of the Finance Act No.11 of 2006 published as a supplementary of part II of the government gazette dated 31 March 2006, tax revenue amounting to Rs.21.54 million recoverable in respect of imported films, teledramas and commercial programs relating to 02 Television Channels for the last 7 years had not been recovered up to 31 December 2016.

3.9 Non- compliance

Non-compliance with Laws, Rules and Regulations

Tests had not been conducted as per Financial Regulation 104 (1)(a) in respect of 12 motor vehicle accidents occurred in the year under review and in the last year.

3.10 Performance

Observations on the progress of the Ministry according to the annual budget estimates and the Action Plan for the year 2016 are shown below.

(a) Key Functions not Adequately Performed

Ranminithenna National Tele Cinema Park Foundation Act had not been enforced.

(b) Planning

- (i) Action had not been taken to construct Madya Purawara Housing Scheme, conduct SAARC Media Exchange Programme in Sri Lanka and initiate the construction of Amaradewa Musical Monastery which had been proposed to complete in the year under review as per the action plan prepared in terms of Public Finance Circular No.01/2014 dated 17 February 2014.
- (ii) Even though it had been provisioned amounting to Rs.1,000,000 for 18 staff training (Local/Foreign) programmes in the year under review, only Rs.669,000 had been incurred during the year 2016. Even though training is a very important item for staff development, controlling authority had failed to train staff as mentioned in the action plan of year 2016.

3.11 Weaknesses in Operating Bank Accounts

Adjustable balances

- (a) Action had not been taken in terms of Financial Regulation 396(d) regarding Rs.896,589 valued cheques, issued but not presented for a period of 06 months to 03 years as per the bank reconciliation statements prepared by the Parliamentary Reforms Division for the month of December 2016.
- (b) Even though there had been unrealized cheques valued at Rs.219,710 coming over a period of 06 months to 03 years, action had not been taken by finding the reasons for not realizing them.

3.12 Losses and Damages

Even though the revenue of Ranminithenna Tele Cinema Village amounted to Rs.11,216,073 in the year under review , a loss amounting to Rs.6,727,645 was observed as its expenditure had been Rs.17,943,718.

3.13 Unresolved Audit Paragraph

Following observations are made.

- (a) Out of the audit paragraphs included in the Auditor General's reports relating to the Ministry, references to paragraphs in which deficiencies were shown but not rectified the Ministry are given below.

Reference to Audit Report		Reference Subject
	Year	Para.No
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(i)	2012	8(b)(ii)
		Even though it had been planned to implement a separate Act for Ranminithenna Tele Cinema Park under the action plan for the year 2012, an Act had not been passed even by 31 May 2016.
(ii)	2012	12(a)
		Any action had not been taken in respect of the shortage amounting to Rs.99,305 observed between the issued tickets to Ranmihithenna Tele Cinema Park and the income received even by 31 May 2016.
(iii)	2012	12(j)
		The code of ethics for mass media scheduled to be completed in the year 2012 had not been completed even by 31 May 2016.
(iv)	2012	1.13(c)
		In issuing licenses for maintaining broadcasting and telecasting channels, temporary licenses had been issued instead of permanent licenses and a system to issue a permanent license or to renew had not been prepared. Hence it was observed that channel broadcasting activities are continued without any supervision and problems on inability to take decisions uniformly regarding institutions and in making decisions had been arisen as it had been included conditions in temporary licenses issued later but not mentioned earlier.

- (v) 2013 5.11 (b) According to the Section 6 (1) of the Finance Act No, 11 of 2016, even though a tax had been imposed in respect of telecasting programs produced in foreign countries to improve Sri Lankan Customs and observances in this country, it was observed that the objective of imposing this tax within this country could not be achieved
as the programs telecasted through televisions based on cables, satellite, internet and telephones implemented under 15 licenses are not liable for this tax. Further, even though it had been agreed with Department of Public Finance in year 2009 to establish a fund to credit this collected tax revenue, it had not been done until May 2016.
- (vi) 2014 3.16 (a) Even though it was confirmed in the year 2013 that an institution which obtained the cable television licenses in the year 2012 had acted in an illegal manner, the Ministry had not taken any legal action whatsoever, not conducted any inquiry regarding that institution. Further, Without formulating new policies on television institutions based on cable satellite and internet as per the order of the Parliamentary Committee, a license had been issued to operate a television network through satellite technology in November 2014.
- (vii) 2015 3.11 A provision of Rs.1900 million, comprising a foreign loan of Rs.950 million and the local cost of Rs.950 million associated with foreign financing had been made had been made in year 2015 for the digital technology project for territorial television telecast, planned to be implemented in the year 2014 under the Sri Lanka Government and the JICA loans. Nevertheless, that project had been suspended in the year under review and a sum of Rs.2.7 million had been spent under the local cost component for the payment of salaries to the staff informally recruited to the project. The recruitment of that staff had also been made informally.
- (viii) 2015 3.14(b)(ii) Without confirming whether reported for duties for the period from 17 August 2015 to 02 November 2015, Salaries and allowances amounting to Rs.117,241 had been paid to an officer who had been appointed to the Post of Assistant Secretary (Labour Relations- Non Sri Lanka Administrative Service) which valid only for the period during which the

Minister would hold the position and only a sum of Rs.33,110 had been recovered.

(ix) 2015 3.19(a) The Ministry had printed 1000 copies of magazine “FRONTIER” on development of Sri Lanka by spending a sum of Rs.648,312 in December 2014 and they had not been documented. At physical verification carried in October 2017 observed that those magazines had been dumped in the scrap material store and being decayed without distributing.

(x) 2015 3.19(d) A concessionary motor vehicle permit which can be issued to officers who had completed active service of 6 years in an executive post and permanent in post as per the provisions in the Circular No.01/2013 issued on Trade and Investment Policies, had been issued on 03 September 2015 to the officer, who is in the Post of Assistant Director (Media) of the Ministry which was not confirmed. As a result of issuing a concessionary motor vehicle permit to this officer despite he had not fulfilled even the basic requirements, the government had deprived of a tax revenue of Rs.2,271,732.

(b) Out of the directives given by the Committee on Public Accounts relating to the Ministry on 22 January 2014, directives not implemented up to 31 May 2016 are given below.

	Reference to Paragraph in the COPA report	Reference Subject
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(i)	05	Revision of the Sri Lanka Newspapers Complaints Commission Act, as it enables to make complaints against electronic media institutes.
(ii)	07 and 08	Passing and the establishment of Transmission Development Authority Act, introduction of the digital technology and submission of a report to the Committee on the progress.
(iii)	12	Supervision of the activities of license holders of private broadcasting and Television Channels in order to prevent flowing of government money inappropriately to private parties, charging fees annually and to introducing a proper methodology to renew Licenses.

- (iv) 13 Submitting a reporting to the committee by obtaining correct information of License holders from the Registrar of Companies and to formulate a new policy on television institutions based on cable satellite and internet.
- (c) Out of the directives given by the Committee on Public Accounts relating to the Ministry on 26 October 2016, directives not implemented up to 31 December 2016 are given below.

Reference to Paragraph in the COPA report	Reference Subject
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(i) 10	As there is not an appropriate procedure for issuing of permanent licenses for private broadcasting and telecasting channels, passing of Transmission Authority Bill including all directives thereto.
(ii) 12	A remuneration amounting to Rs.1,008,307 is received from the Ministry to a member of the private staff of the former Ministeress and taking action to recover in respect of getting remuneration from Disaster Management Centre for that period.
(iii) 14	Taking action to recover tax revenue amounting to Rs.32 million due from 02 telecasting channels in respect of foreign teledramas, films and commercial programmes for last 06 years.
(iv) 16	When obtaining a group insurance cover for Members of Parliament, Selecting a suitable insurance method and institute by calling competitive bids as per the procurement guideline.

3.14 Human Resource Management

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

Cadre position as at 31 December 2016 is given below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
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(i) Senior Level	23	19	04	-
(ii) Tertiary Level	04	01	03	-
(iii) Secondary Level	111	107	04	-
(iv) Primary Level	50	43	07	-
(v) Others (Casual/				

Temporary/ Contract				
Basis) -Mass media	-	03	-	03
Parliamentary	1,125	1,058	67	-
Affairs				
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Total	1,313	1,231	85	03
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Following observations are made.

Ministry had not been taken action to fill 18 vacancies of the approved carder as at the end of year under review and proper action regarding the excess employees on casual/ Temporary/ Contract Basis had not been taken.