

Report of the Auditor General on Head 21 – Auditor General’s Department– Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 21 – Auditor General’s Department 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 Auditor General on 23 August 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 for the Auditor General’s Department amounted to Rs.1,425.63 million and out of that, a sum of Rs.1,330.04 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions amounted to Rs.95.59 million or 6.71 per cent. Details 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	1,240.35	1,147.43	92.92	7.49
Capital	185.28	182.61	2.67	1.44
Total	1,425.63	1,330.04	95.59	6.71

2.2 Revenue Account

----- Estimated and Actual Revenue -----

Revenue totalling Rs. 120.00 million had been estimated under Revenue Code 20.03.02.01 by the Department for the year 2016 and revenue amounting to Rs.169.01 million had been collected in the year under review. Accordingly, revenue had been collected in the year under review exceeding the estimated revenue by Rs.49.01 million or 40.84 per cent. Details are given below.

As at 31 December 2016

Estimated Revenue	Actual Revenue	Excess	Excess as a Percentage of the Estimated Revenue
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Rs.Millions	Rs.Millions	Rs.Millions	
120.00	169.01	49.01	40.84

2.3 Advances to Public Officers Account

----- Limits Authorised by Parliament -----

The limits authorised by Parliament for the Advances to Public Officers Account, Item No.02101 relating to the Department and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
55.00	54.96	50.00	52.48	265.00	215.14

2.4 General Deposit Accounts

Balances of General Deposit Accounts under the Department as at 31 December 2016 totalled Rs.19.47 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
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	Rs.Millions
6000/0000/00/0016/0181/000	16.07
6000/0000/00/0018/0084/000	3.39
6000/0000/00/0002/0132/000	0.01
Total	19.47
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2.5 Audit Observation

The Appropriation Account and Reconciliation Statements of the Auditor General's Department for the year ended 31 December 2016 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 observations included in that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Revenue Account

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to Revenue Code 20.03.02.01 had been assigned to the Auditor General as the Revenue Accounting Officer. The following deficiencies were observed during the course of the test audit of that Revenue Code.

- (a) A variance of 50 per cent between the estimated values prepared by the Department and the estimated values approved by the Treasury and a variance of 55 per cent between the estimated values and the actual revenue were observed.
- (b) According to the Revenue Account presented to Audit, out of the arrears of revenue of Rs.262.4 million, a sum of Rs.63.8 million had been in arrears during a period ranging from 04 years to 33 years.
- (c) Even though the Audit Fees Division had reported that action will be taken to obtain approval required for writing off the arrears of audit fees amounting to Rs.6,555,758 that cannot be recovered from the institutions non-operative at present due to reasons such as closing down, amalgamating, restructuring and selling of institutions that had belonged to the Government, pointed out by the previous report, by explaining the current position of those institutions to the Secretary to the Treasury in respect of arrears of those audit fees, relevant approval had not been obtained even by 30 April 2017.
- (d) Out of the revenue from audit fees receivable to the Department for supervising and auditing the lottery draw, the net amount of Rs.3,848,600 received to the Department in the year under review after deducting the allowances of Supervising Officers and Value Added Tax, had been brought to account under other Revenue Code 20.03.99.00 without identifying as a revenue of the Department from audit fees (20.03.02.01).
- (e) The audit fees computed before invoicing for the audit fees, is forwarded for the approval of the Line Ministry under which the auditee institution comes. Even though a period ranging from 01 month to 08 years had lapsed by 30 April 2017 after forwarding the audit fees totalling Rs.24,143,416 relating to 49 auditee institutions for approval, bills on audit fees could not be issued due to failure in obtaining approval.

3.2 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No.02101, the outstanding balances recoverable as at that amounted to Rs.2.66 million. Out of those outstanding balances, a sum of Rs.1.37 million had been brought forward from a period of over 05 years. Nevertheless, the Department had failed to recover those even by the end of the year under review.

3.3 Human Resources Management

(a) Approved Cadre and Actual Cadre

Cadre Position as at 31 December 2016 was as follows.

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	335	266	69
(ii) Tertiary Level	1,215	931	284
(iii) Secondary Level	174	142	32
(iv) Primary Level	188	154	34
Total	1,912	1,493	419
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(b) Existence of Vacancies

The total number of vacancies of the Department by the end of the year under review stood at 439 and out of them, 373 had been officers of Senior and Tertiary Levels directly involved in auditing. As such, it had been a hindrance in carrying out the audit efficiently on time.