

## **Head 21 - Report of the Auditor General on the Auditor General's Department - Year 2017**

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The Appropriation Account and Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 and the Revenue Accounts relevant to the Revenue Codes included in the Tables 3.1.1, 3.1.2 and 3.1.3 of the Annual Budget Estimate were presented to Audit by the Auditor General's Department. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Responsibility of the Chief Accounting Officer, Revenue Accounting Officer and Accounting Officer for the Financial Management and Accountability**

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The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

### **1.3 Audit Scope**

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The audit of Auditor General's Department – Head 21 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Auditor General on 12 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation

statements and performance reports 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.

## 1.4 Audit Observation

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The audit observations of the Auditor General's Department for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.2 to 2.6 of this report. It was observed that the accountability as the Chief Accounting Officer and the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance of the Chief Accounting Officer to the Provision	Reference to the Paragraph of the report Containing Observations
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Financial Regulations 127 (1)(a)	Planning the financial work of his department so that the business is transacted with correctness and financial propriety.	Deficiencies in the Annual Action Plan 2.2
127 (6)	Collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	1. Failure to recover the outstanding revenue 2.4 2. Failure to recover the outstanding loan balances of the advances to the public officers 2.5

## 2. Material and Significant Audit Observations

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### 1.1 Key functions of the Department

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- (a) To carry out an independent examination whether the managements of the institutions to which the custody of the resources are entrusted have discharged the public accountability devolved on them and report to Parliament.

(b) Assist two oversight Committees of the Parliament namely Committee on Public Accounts (COPA) and Committee on Public Enterprises (COPE) to examine the performance of the public entities.

(b) Assist the auditee institutions to improve their accountability by making recommendations through issuing management reports.

## 2.2 Performance

### Planning.

The Action Plan for the year 2017 had been prepared as required by the Public Finance Circular No.01/2014 dated 17 February 2014. The following deficiencies could be observed in the above Action Plan.

- (a) The Activity Plan prepared in order of priority based on the annual budget pertaining to the year under review, the Time Line and the expected output/outcome of those activities had not been estimated and indicated.
- (b) The Department had not prepared the Revenue Collecting Action Plan.

## 2.3 Utilization of Provision Made by the Parliament for the Execution of Activities

The information relating to the provision made for the Department during the period of 04 years ended as at 31 December 2017, utilization, and the saving along with audit observations thereon, are as follows.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of the net provision
		Rs. Millions	Rs. Millions	Rs. Millions	
2014	Recurrent	814.90	779.34	35.56	4.36
	Capital	227.20	187.59	39.61	17.43
	<b>Total</b>	<b>1,042.10</b>	<b>966.93</b>	<b>75.17</b>	<b>7.21</b>
2015	Recurrent	1,157.65	1,138.33	19.32	1.67
	Capital	28.22	19.83	8.39	29.73
	<b>Total</b>	<b>1,185.87</b>	<b>1,158.16</b>	<b>27.71</b>	<b>2.34</b>
2016	Recurrent	1,240.35	1,147.43	92.92	7.49
	Capital	185.28	182.61	2.67	1.44
	<b>Total</b>	<b>1,425.63</b>	<b>1,330.04</b>	<b>95.59</b>	<b>6.71</b>
2017	Recurrent	1,455.86	1,371.52	84.34	5.79
	Capital	137.50	134.59	2.91	2.12
	<b>Total</b>	<b>1,593.36</b>	<b>1,506.11</b>	<b>87.25</b>	<b>5.48</b>

## 2.4 Estimated and Actual Revenue

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The Department had estimated revenue of Rs.125.00 million for the Revenue Code 20.03.02.01 for the year under review and revenue amounting to Rs.144.60 million had been collected during the year under review. Accordingly, revenue had been collected exceeding the estimated revenue by Rs.19.60 million or 15.68 per cent during the year under review. The following observations are made in this connection.

- (a) Audit fees aggregating Rs.42.77 million had remained outstanding from 99 auditee institutions over a period ranging from 05 years to 34 years.
- (b) In consequence of closing down, amalgamating, restructuring and selling the Government owned institutions, those remained inoperative at present. The outstanding audit fees due from those institutions amounted to Rs.6.56 million by the end of the year under review. It had been failed to write off the above outstanding revenue even by the end of the year under review.

## 2.5. Advances to Public Officers Account

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### Limits Authorized by Parliament

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The limits authorized by Parliament for the Advances to Public Officers Account under the Item No. 02101 of 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
65.00	64.91	52.00	53.60	228.00	226.45

### Failure to Recover the Outstanding Loan Balances

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According to the reconciliation statement presented to Audit, except for the loan balances of the officers left on transfers, the outstanding loan balance totaled Rs.2.23 million by the end of the year under review. Even though the above loan balances had continued to exist over a period ranging from 03 years to 20 years, the Department had failed to recover the above outstanding loan balances even by the end of the year under review.

## 2.6 Human Resource Management

### Attached Cadre, Actual Cadre, and Expenditure on Personnel Emoluments

Particulars on the approved, actual, and vacant cadre for the execution of duties specified in Paragraph 2.1 above as at 31 December 2017 were as follows. The Department had spent a sum of Rs. 1,225.7 million for the year under review on personnel emoluments. Accordingly, per capita expenditure had been Rs.705,642.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No. of vacancies</b>
(i)	Senior Level	355	261	94
(ii)	Tertiary Level	1,215	1,146	69
(iii)	Secondary Level	175	146	29
(iv)	Primary Level	213	184	29
	Total	1,958	1,737	221

The total number of vacancies of the Department stood at 221 by the end of the year under review and 163 of the above vacancies comprised the officers of senior and tertiary level who were directly involved in the audit activities. Existence of the above vacancies remained as an impediment for the performance of the Department.