

Head 23 - Report of the Auditor General on the Audit Service Commission- Year 2017

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 were presented to Audit by the [Audit Service Commission](#). 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 for the Financial Management and Accountability

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

The audit of [Audit Service Commission](#) – Head 23 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 [Secretary of the Audit Service Commission](#) on 25 September 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

The audit observations of the **Audit Service Commission** 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 2.1 to 2.6 of this report. It was observed that the accountability as the Chief 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.. (The fact that the Departmental activities shall be carried out not only in compliance with the Financial and Departmental Regulations but also in conformity with the expected higher level of integrity in the performance of State affairs)	<ol style="list-style-type: none">1. Action Plan had not been prepared. 2.22. Failure to plan procurement activities. 2.33. Failure to utilize the provisions made. 2.4 (a)4. Making overprovisions. 2.4 (b)5. Audit and Management Committee. 2.6

2. Material and Significant Audit Observations

2.1 Keyfunctions of the Commission

- (a) Subject to the policies determined by the Cabinet, the powers of appointments, promotions, transfers, disciplinary control and formulation of rules relevant to the dismissal of the members belonging to the Sri Lanka State Audit service
- (b) Preperation of the Annual Estimate of the National Audit Office.

2.2 Planning.

The Action Plan for the year 2017 had not been prepared as required by the Public Finance Circular No.01/2014 dated 17 February 2014.

2.3 Obtaining Supplies and Services through the Procurement Process

----- Planning of Procurements

The National Audit Commission had made provisions of Rs.2.7 million in keeping with the Government Procurement Guidelines for obtaining supplies and services and out of that, provisions of Rs.1.8 million had been utilized. The observations on the procurement plans to be prepared in connection with the provisions made are as follows.

The following plans and documents had not been prepared under the initial stage of the procurement planning.

- (a) Master Procurement Plan
- (b) Proposed Annual Procurement Plan
- (c) Each contract package and the Procurement Time Schedule.
- (d) Detailed Procurement Plan on works, goods and services.

2.4 Utilization of Provision Made by the Parliament for the Execution of Activities

The Audit Service Commission functioned under the Head-21, the Auditor General's Department in the year 2016 and began to function as a separate Head under the Head-23 in the year 2017. The information relating to the provision made for the Commission during the period of one year 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
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		Rs. Millions	Rs. Millions	Rs. Millions	
2017	Recurrent	52.23	27.40	24.84	47.56
	Capital	2.80	1.10	1.70	60.71
	Total	55.03	28.50	26.54	48.23
		=====	=====	=====	

Following observations are made in this connection.

Appropriation Account

(a) Failure to utilize the provisions made

Provisions amounting to Rs.2.55 million made for 06 Objects had been entirely saved without being used for any purpose.

(b) Making overprovisions

The total net provision made for the Commission relating to the year under review amounted to Rs.55.03 million and a sum of Rs.28.50 million of the above provision had been used by the end of the year under review. Accordingly, Rs.26.53 million or 48.21 per cent of the net provision had been saved. The failure to pass the National Audit Act had been the reason behind this matter.

2.5 Imprest Account

The following observation is made.

Even though the Commission had planned to spend provisions of Rs.55,407,454 for the year under review, since the National Audit Act had not been duly passed, it had hampered the functions of the Commission. As such, a sum of Rs.28,490,070 only had been used and it was 51.42 per cent of the total provision.

2.6 Audit and Management Committee

In terms of provisions in the Management Audit Circular No. DMA/2009 (I) dated 09 June 2009 as amended by Management Audit Circular No. DMA/2009 (I) (i) dated 28 January 2016, although the Commission should establish Audit and Management Committees, Audit and Management Committees had not been established in the year 2017.

2.7 Human Resource Management

Approved 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 Commission had spent a sum of Rs. 14.40 million for the year under review on personnel emoluments. Accordingly, per capita expenditure had been Rs.685,657.

Category of Employees	Approved Cadre	Actual Cadre	No. of vacancies
(i) Senior Level	10	02	08
(ii) Tertiary Level	05	02	03
(iii) Secondary Level	16	07	09
(iv) Primary Level	12	10	02
Total	43	21	22

Since the National Audit Act had not been passed, the key functions vested by the Constitution could not be discharged and as such, a requirement for the recruitment of employees had not arisen.