

Head 320 - Report of the Auditor General on the Civil Security Department - Year 2017

The Appropriation Account, and Reconciliation Statement relating to Head and Item 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 Civil Security Department. The financial and physical performance reflected by those accounts and 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 Scope of Audit

The audit of the Civil Security Department- Head 320 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 will be issued to the Civil Security Department in due course. 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 Civil Security Department for the year ended 31 December 2017 revealed in audit, appear in the 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 2.9 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.

General responsibilities of the Accounting Officers in terms of Financial Regulation 128	Non-compliance of the Accounting Officer to the Provision	Reference to the Paragraph of the report Containing Observations
-----	-----	-----

Accountability of the Accounting Officer –
Financial Regulation 128 (1)

128 (1) (a)	The work of his department is planned and carried out with due despatch , having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorised and that an endeavour is made to complete the programme of work laid down for the year and / or attain the targets specified.	1. Failure to accurately prepare the Action Plan.	2.1
128 (b)	(1) The organisation for financial control and accounting in his department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues , and bringing to account of monies received, the	1. Activities contradictory to the main activities. 2. Deficiencies in the execution of procurement procedure.	2.1.1 2.6 2.1.2 (a)

authorization of commitments, on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefor from public funds.

3. Deficiencies in rendering services for the public.

128 (d)	(1) An adequate system of internal check for receipts, payments, and issues is maintained and tested from time to time.	Deficiencies shown in the Advances to Public Officers Account.	2.7
128 (1) (f)	Such information, statements and returns as are called for by the Chief Accounting Officer or the Treasury, are rendered correctly and promptly.	Delay in the presentation of Annual Performance Report.	2.13
128 (1) (g)	Returns showing the progress of collection of dues to Government are rendered regularly to the Chief Accounting Officer.	Deficiencies relating to the Advances to Public Officers Account.	2.7
128 (h)	(1) Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their recovery.	Recovery of outstanding loan balances in the Advances to Public Officers Account.	2.7
128 (1) (i)	The activities of his department are undertaken with due regard to economy, efficiency, propriety, and integrity expected in the transaction of public business. (In this context economy means not merely keeping within the Estimates; but, also ensuring that the Government receives best value for money expended)	<ol style="list-style-type: none"> 1. Irregular transactions. 2. Uneconomic transactions. 	<p>2.4 (a), (b)</p> <p>2.5</p>

128 (m)	(1) An Appropriate Account is rendered to the Chief Accounting Officer at the end of the financial year in respect of each Program of a Head of Expenditure for which he is responsible as Accounting Officer (See F.R. 150)	Deficiencies shown in the Appropriation Account.	2.6 (a)
------------	--	--	---------

2. Material and Significant Audit Observations

2.1 Performance

Activities in Contradiction to the Main Activities

Projects of miscellaneous nature were launched and being implemented through 22 battalions and 05 training schools by making use of the physical resources, human resources and internal funds of the Civil Security Department. However, maintaining such projects under vision, mission and activities of the Department, had not been identified as its objectives.

2.1.2 Failure to Achieve the Expected Level of Output

The Civil Security Department comprised 31,981 soldiers along with 5,163 female officers. Having deployed 15,903 personnel from those battalions in the year under review, 1,589 miscellaneous projects that could generate revenue, had been implemented throughout the island. The following matters were observed in the audit test check carried out in that regard.

- a) Assistance of the soldiers of Civil Security Department had been obtained to maintain and monitor the electric fence erected by the Department of Wildlife with a view to minimizing the human – elephant conflict in the villages / areas vulnerable to the wild elephants. Accordingly, the battalion in Katunayake had deployed 79 soldiers for maintaining and monitoring the electric fence erected over 12 areas in the North Western Province at a stretch of 252 Km. However, 06 instances were observed in which complaints had been made by societies, associations and people in the respective areas in the months of June and July of the year 2017 that the soldiers so deployed, had not rendered the relevant service.
- b) Four types of crop had been cultivated under the agricultural project in Kadirana implemented by the Force HQ in Katunayake. However, the cultivation had perished due to severe drought thus failing to earn any income. In order to confirm that the destruction had been caused due to drought, documentary

evidence such as, reports of the Agricultural Research Assistant, and Grama Niladhari, was not made available to Audit.

- c) The following observations are made on the cashew cultivation project implemented by the Force HQ in Vilpattu.
- (i) When the harvest of cashew was gathered, the harvest was not quantitatively weighed and stored; instead, the cashew was weighed at the time of sale. Furthermore, action had not been taken to identify the waste in general likely to occur when stocks were stored in the stores.
 - (ii) Although cashew had been cultivated over an area of 1,200 acres under the project, there existed no methodology either to maintain a register of trees with data relating to the trees included, or report and maintain the information.
 - (iii) Information relating to daily assignment of duties to 718 soldiers attached in average to the project per month, had not been maintained. There existed no methodology as well to report on the exercise of duties by the soldiers daily.
- d) Average harvests of 945 Kg and 896 Kg had been yielded per acre for Maha Season and Yala Season respectively from the paddy cultivation projects maintained at the Force HQ in Ampara. Nevertheless, the harvest of paddy yielded by the project office in Samanthurei located in the same area, had been 3,050 Kg for the Maha Season indicating an average harvest as low as 435 Kg per acre.
- e) The paddy, named Nadu, Red paddy, Samba, and Keeri Samba in the quantities of 417,592 Kg, 113,270 Kg, 29,027 Kg, and 15,518 Kg respectively that had been yielded in the Maha Season of 2016/2017 from 66 paddy cultivation projects under the Force HQ in Mahaoya, was sold to the buyer selected through quotations from 03 regional institutions at Rs. 35 per kilogram of all types of paddy. However, the Force HQ in Horowpathana of the Anuradhapura area was observed to have sold their harvest at Rs. 52 per kilogram.
- f) It was revealed in the audit test checks carried out on the projects such as, manufacture of bricks, concrete blocks, wicks and bamboo baskets, and cultivation of pineapple selected as samples out of the projects being implemented by the Civil Security Department, that the average monthly contribution of a soldier with respect to those projects amounted to Rs. 3,470, Rs. 2,976, Rs. 5,721, Rs. 5,550, and Rs. 5,140 respectively.
- g) The following matters were observed in connection with Demaliya Agricultural Project implemented by the Force HQ in Kataragama.
- (i) A land in extent of 59.5 hectares belonging to the Department of Wildlife Conservation had been obtained on 19 June 2013 through an agreement for the Demaliya Agricultural Project implemented by the Force HQ in

Kataragama in order to establish an environmentally-friendly arable land. The period of agreement had expired on 19 June 2016 though, the project had been implemented continuously up to 31 December 2017 without extending the period of agreement.

- (ii) Moreover, the duties to be performed by the soldiers assigned to the project, had not been provided in writing. As such, no evidence could be gathered as to the duties that should have been performed by the soldiers daily. As the distance between the project and the Head Quarters was about 60 Km, it was observed that monitoring the project remained weak.

2.1.3 Annual Performance Report

The Performance Report for the year under review should have been tabled in Parliament by the Civil Security Department within a period of 150 days from the date of the end of the financial year in terms of Public Finance Circular, No. 402, dated 12 September 2002. But, the said report had not been tabled in Parliament even up to 31 July 2018.

2.2 Sustainable Development

Achievement of Sustainable Development Goals

Every Government institution should comply with the 2030 Agenda for Sustainable Development adopted by the United Nations. The Civil Security Department had become aware as to how to act in regard to the activities under its purview in year under review.

- (a) Having been aware of the 2030 Agenda for Sustainable Development, the Department had not identified the sustainable development goals to be achieved under their scope.
- (b) Accordingly, as for the objectives relating to sustainable energy, and elimination of hunger, it was informed that action would be taken to identify the targets along with milestones in reaching them, and the indicators to measure the achievement of targets.
- (c) Although the parties interested in the Civil Security Department relating to the achievement of Sustainable Development Goals, had been identified, awareness programmes had not been held for them.

- (d) The target of reducing the annual expenditure on electricity amounting to Rs. 29 million under the objective of sustainable energy had been included in the Annual Action Plan. But, the target of cultivating the disused paddy lands with the irrigation systems under the objective of elimination of hunger, had not been included in the Action Plan.
- (e) A methodology had not been identified to collect data representing all the parties for the sustainable development indicators identified by the Department. Nevertheless, it was informed that it would be expected to deploy the officers to collect the data , and the future programmes were in planning stage.

2.3 Obtaining Supplies and Services through the Procurement Procedure

Having adhered to the Procurement Guidelines, provision totaling Rs. 868.3 million had been made for the Civil Security Department to obtain supplies and services, and a sum of Rs. 837.37 had been utilized therefrom.

2.3.1 Execution of the Procurement Procedure

- (a) .
 - (i) A sum of Rs. 31,644,000 had been estimated on 7,200 machine hours to prepare the land in extent of 1,200 acres where cashew had been cultivated under the Kondachchi Cashew Project. At the end of the activity however, the number of hours spent had been 8,770, and the expenditure thereon amounted to Rs. 38,324,900. As such, a sum of Rs. 6,680,900 had been spent on 1,570 machine hours in excess due to failure in preparing the estimates fairly. According to the agreement, clearance of bushes and removal of garbage should have been done before 18 March 2017, but the said works had been done on 11 September 2017. The maintenance of the said project should have been done by the soldiers of the Department spending 238,068 man days though, due to failure in doing so properly, machines were observed to have been made use of.
 - (ii) According to the bid specifications prepared for selecting a service provider for cleaning of the land used in the said cashew cultivation project, the bidders should have furnished project reports relating to 05 preceding years on the successful completion of similar projects. Nevertheless, no bidder whosoever had furnished such reports to the effect that projects had been successfully completed within the 05 preceding years.

- (b) A sum of Rs. 4,284,000 had been estimated in the Procurement Plan of the year 2017 to purchase 21,000 sirens for the soldiers, and a sum of Rs. 4,709,250 had been spent in that connection. As the relevant estimate had been prepared irrespective of VAT, a sum of Rs. 425,250 had been overspent in excess of the estimated amount.

2.4 Irregular Transactions

The following observations are made.

- (a) As for 85 persons serving the garment factory being maintained by the Force HQ in Vilpattu, an overpayment of Rs. 402,250 at Rs. 250 per day had been made as allowance for meals to 85 employees relating to 1609 man days for which employees had not reported for duty during the period from January 2017 to August 2017.
- (b) The advance of Rs. 1,500,000 given to an officer on 06 October 2016 for the construction of an auditorium at the Force HQ at the Bakkiella, had not been settled even up to 31 December 2017. According to the explanation made by the relevant officer in that connection, a sum of Rs. 1,374,000 had been obtained from the said amount by an officer of a higher rank, and action had not been taken up to 31 December 2017 to settle that amount. Showing that the material required for the construction of the building had been purchased from a trading institute in the area, a payment voucher had been furnished on 06 October 2016 so as to settle the sum of Rs. 1,374,000. However, it was observed that the said materials had been obtained by the Civil Security Department for free.

2.5 Uneconomic Transactions

A sum of Rs. 15,800,000 had been shown in the Procurement Plan for the supply of 20,000 black overalls for the year 2017. However, a sum of Rs. 17,630,000 had been spent in 02 instances during the year to purchase black overalls. According to the information received, one dress of black overall was issued in a year for the soldiers discharging duties with black overalls, and there were 13,000 such soldiers. Accordingly, a sum of Rs. 6,170,500 had been spent for purchasing 7,000 black overalls in excess. Due to failure in implementing a methodology to accurately identify the annual requirement of black overalls, purchases had been made in excess. It was further observed that 5,408 black overalls had still remained at the stores as at 01 January 2017.

2.6 Utilization of Provision Made by Parliament for Discharging Functions

Information relating to the utilization and saving of provisions made for the Civil Security Department during the 05 year period ended as at 31 December 2017, and the audit observations thereon, are as follows.

<u>Year</u>	<u>Type of Expenditure</u>	<u>Net Provision</u> Rs. Million	<u>Utilization</u> Rs. Million	<u>Saving</u> Rs. Million	<u>Saving as a Percentage of the Net Provision</u>
2013	Recurrent	10,685.38	10,683.91	1.47	0.01
	Capital	67.65	67.15	0.50	0.74
	Total	10,753.03	10,751.06	1.97	0.01
2014	Recurrent	12,030.20	12,029.31	0.89	0.01
	Capital	120.80	120.80	-	-
	Total	12,151.00	12,150.11	0.89	-
2015	Recurrent	17,289.92	17,114.02	175.90	1.02
	Capital	188.00	187.37	0.63	0.33
	Total	17,477.92	17,301.39	176.53	1.01
2016	Recurrent	17,213.63	16,677.19	536.44	3.12
	Capital	318.06	310.47	7.59	2.38
	Total	17,531.69	16,987.66	544.03	3.1
2017	Recurrent	16,720.25	16,549.88	170.37	1.02
	Capital	280.70	235.70	45.00	16.03
	Total	17,000.95	16,785.58	215.37	1.27

a) Appropriation Account

Failure to Utilize the Provision Made

The total net provision of Rs. 830,960 made for an Object had entirely been saved.

2.7 Advances to Public Officers Account

Limits Authorized by Parliament

The actual values and limits authorized by Parliament for the Advances to Public Officers Account under Item Code 32001 relating to the Civil Security Department, are as follows.

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
500	496.22	300	302.09	1,000	272.11

Failure to Recover the Outstanding Balances

According to the reconciliation statement made available to Audit, the total of the balances in arrears as at 31 December 2017 amounted to Rs. 1,122,422 excluding the loan balances of the officers transferred out.

2.8 General Deposits Account

The total of the balances in 03 Deposit Accounts of the Civil Security Department amounted to Rs. 422,460,619 as at 31 December 2017. The following observations are made in that connection.

- a) Action had not been taken in terms of Financial Regulation 571 on 02 deposits totalling Rs. 5,739,563 continued to exist over a period of 02 years.
- b) Funds amounting to Rs. 5,688,563 granted by other Ministries and Departments for miscellaneous purposes, had been retained in the Deposit Account without being utilized on the relevant purposes.

2.9 Human Resource Management

2.9.1 Approved Cadre, Actual Cadre, and Expenditure on Personnel Emoluments

Information relating to the approved and actual cadre, vacancies, and excess cadre as at 31 December 2017 is given below. The Civil Security Department had spent a sum of Rs. 15,551 million on personnel emoluments for the year under review. Accordingly, the expenditure per person amounted to Rs. 417,180.

Category of Employee	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Cadre
-----	-----	-----	-----	-----
(i.) Senior Level	23	14	09	-
(ii.) Tertiary Level	84	54	30	-
(iii.) Secondary Level	26	17	09	-
(iv.) Primary Level	40,460	37,189	3,271	-
(v.) Casual / Contract	-	02	-	02
Total	<u>40,593</u>	<u>37,276</u>	<u>3,319</u>	<u>02</u>