

Head 122 - Report of the Auditor General on the Ministry of Parliamentary Reforms and Mass Media – Year 2017

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Appropriation Account and the 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 Ministry of Parliamentary Reforms and Mass Media. The financial and physical performance reflected by that account and reconciliation statement 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 and 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 Ministry of Parliamentary Reforms and Mass Media – Head 122 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 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 material and significant audit observations out of the audit observations revealed during the course of Audit of the Ministry of Parliamentary Reforms and Mass Media for the year ended 31 December 2017 appear from paragraph 2.1 to 2.20 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 with that Provision by the Chief Accounting Officer	Reference to the Paragraph of the report which included the Observation
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Financial Regulations

127(1)(a)	All financial work should be planned so as to ensure the business is transacted with correctness and financial propriety. (The business must be transacted in accordance not merely with the financial and departmental orders but also with the high standards of integrity expected in the transaction of public business.)	1. Non-planning of procurement activities- Inadequate planning 2. Shortcomings in preparing imprest estimates 3. Non-maintenance of registers and books	2.2.1 2.11 2.14
127(1)(b)	A system which provides adequate controls over expenditure and the collection of revenue, should be evolved.	1. Management deficiencies 2. Unresolved audit paragraphs 3. Non-compliances	2.7 2.6 2.15
127(2)	Existing Items of Expenditure, as well as proposals for new or increased expenditure in the departments under his control, are closely examined in the Ministry from the points of view of economy and efficiency.	1. Deficiencies in the implementation of the procurement process 2. Uneconomic transactions	2.2.2 2.5

127(3)	That all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them.	1. Deficiencies in the utilization of motor vehicles	2.3(a)
		2. Underutilization of assets– Idle position	2.3(b)
127(4)	Appropriation Accounts are duly rendered by each of his Accounting Officers, and examined at the Ministry before he signs them and that important differences in the Estimates and the actual expenditure are critically investigated by him.	1. Non-presentation of annual performance reports	2.1.1(a)
		2. Deficiencies in the Imprest Account	2.11
		3. Deficiencies in General Deposit Accounts	2.12
		4. Deficiencies in operation of bank accounts	2.13
127(5)	That, important variations between departmental Estimates and expenditure receive critical examination at the Ministry.	Non-utilization of provisions made	2.8(a)(i)
127(6)	The collection of Revenue or other Government dues for which Accounting Officers are responsible, is closely watched and examined by the Ministry.	1. Deficiencies in Revenue Accounts	2.9
		2. Deficiencies in the Advances to Public Officers' Account	2.10

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Non-performance of Functions

The following observations are made.

- (a) According to the Annual Action Plan, the Ministry should have performed 16 key functions. However, the progress report indicating the physical and financial progress of the activities mentioned in the Action Plan had been presented to Audit on 26 October 2018. As such, the performance of functions included in the Action Plan could not be evaluated.
- (b) Even though provisions had been made to commence a construction in the year 2017 for which approval had been obtained by the Cabinet Memorandum, only bids had been invited by 10 May 2018 relating to the construction.

2.2 Obtaining Supplies and Services through Procurement Process

2.2.1 Planning of Procurement

Provisions of Rs.127.8 million had been made to the Ministry for execution of supplies and services through the procurement process in the year under review and out of that, a sum of Rs.74.8 million had been utilized. The Procurement Plan which should be prepared relating to the provisions made, was not prepared in accordance with circulars and the Detailed Procurement Plan and the Procurement Time Schedule were not prepared.

2.2.2 Implementation of the Procurement Process

The management and organization of the launching ceremony of the book, “Buddhist Ideals of Good Governance” had been assigned to the Selacine Television Institute for a sum of Rs.3,300,175 without calling for competitive bids. Despite the decision of the Assistant Secretary to the Ministry to assign recording this activity on video, to the Department of Information and the ability of obtaining the said service free of charge, it had been awarded to the Selacine Institute and paid a sum of Rs.175,000.

2.3 Assets Management

The following deficiencies were revealed during the course of Audit test checks carried out relating to the assets of the Ministry.

(a) Utilization of Motor Vehicles

Failure in testing Fuel Consumption

In terms of Public Administration Circular No.30/2016 of 29 December 2016, the fuel consumption for the year under review of 27 motor vehicles owned by the Ministry, had not been tested.

(b) Idle and Underutilized Assets

Four motor vehicles valued at Rs.14,276,500 had been parked in the premises of the Ministry without being made use of for any purpose whatsoever.

(c) Conducting Annual Boards of Survey

In terms of Public Finance Circular No.05/2016 of 31 March 2016, the Annual Board of Survey for the year 2017 should be conducted and the reports thereon presented to the Auditor General before 17 March 2018 in terms of paragraph 3.1.6 of the Circular. Nevertheless, the report on the Board of Survey had been presented to the Auditor General only on 12 September 2018 with a delay of 06 months.

(d) Irregular Use of Assets owned by other Institutions

A motor vehicle owned by the Department of Information had been given to the Ministry in the year 2015 and it had met with an accident in the year 2016. However, it had not been repaired and made use of even by October 2018. Even though the Department of Information had requested for the return of the said motor vehicle, action had not been taken to return same.

2.4 Commitments and Liabilities

Unsettlement of Liabilities

Liabilities totalling Rs.12,623,443 shown in the Appropriation Account had not been settled even by 18 May, the date of Audit.

2.5 Uneconomic Transactions

Even though a sum of Rs.6,963,652 had been spent for installing the elevator of the Ministry and preparing the building frame, the elevator had been exposed to the risk of being collapsed within a period as short as 05 months after construction. As such, it had been demolished in January 2018 by incurring a cost of Rs.1,603,850. Moreover, the demolished elevator had remained in the Ministry premises even by the date of Audit in the year 2018 without being made use of.

2.6 Unresolved Audit Paragraphs

Reference to unresolved paragraphs by the Ministry relating to deficits indicated by audit paragraphs included in the Reports of the Auditor General on the Ministry, are as follows.

Reference to the Reports of the Auditor General		Subject referred
Year	Paragraphs	-----
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2012	8(b)(ii)	Formulation of a separate Act for the Ranmihitenna National Tele Cinema Park.
2012	12(a)	The deficit of Rs.99,305 between the entrance tickets issued for Ranmihitenna and the income received
2012	12(j)	Code of Ethics for Mass Media proposed to be completed in the year 2012
2012	1.13(c)	Weaknesses occurred due to issuance of temporary licences for permanent licences in the issuance of licences for operating radio and television channels
2014	3.16(a)	Illegal action taken by an institution which had obtained licences for cable television in the year 2012

2015	3.14(b)(ii)	The sum of Rs.84,131 recoverable further from salaries and allowances paid for the period of service after the termination of office of the Minister, to the officer who had been appointed to the post of Assistant Secretary which was valid only during the period of office of the Minister, had not been recovered.
2015	3.18(a)	Printing 1,000 copies of a magazine named, "FRONTIER" on the development of Sri Lanka in December 2014 by the Ministry, spending a sum of Rs.648,312
2015	3.19(d)	Providing a motor vehicle permit on concessionary terms to the unqualified officer in the post of Assistant Director (Media) of the Ministry who had not been made permanent in the post.

2.7 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (i) The methodology of recovery of tax which existed in the year 2015 by identifying the imported tele dramas and films telecasted without paying tax by the television channels, had been discontinued in the year 2015 due to the inoperative computer system. Even though it had been recommenced in the year 2017 and instances of telecasting imported commercials had been identified, necessary steps therefor had not been taken.
- (ii) Necessary action had not been taken to conduct investigations on the stationery fraud of Rs.1,150,791 of the stores of the Mass Media Division of the Ministry revealed in the year under review during an internal audit, to identify the parties responsible therefor and to settle the loss.
- (iii) Two motor vehicles which had met with accidents in the years 2015 and 2016 had remained up to the year 2018 without being repaired and made use of.

2.8 Utilization of Provisions made by Parliament for Performance of Functions

Details on the provisions made to the Ministry during the period of 05 years ended 31 December 2017, utilization and savings thereof and audit observations thereon appear below.

Year	Type of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provisions
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		Rs.	Rs.	Rs.	
2013	Recurrent	400,630,000	368,032,490	32,597,510	8.14
	Capital	1,236,370,000	959,320,403	277,049,597	22.41
	Total	1,637,000,000	1,327,352,893	309,647,107	18.92

2014	Recurrent	459,809,000	448,986,044	10,822,956	2.35
	Capital	823,241,000	599,338,577	223,902,423	27.20
	Total	1,283,050,000	1,048,324,621	234,725,379	18.29
2015	Recurrent	1,114,800,000	1,055,120,851	59,679,149	5.35
	Capital	2,411,500,000	323,671,898	2,087,828,102	86.58
	Total	3,526,300,000	1,378,792,749	2,147,507,251	60.90
2016	Recurrent	1,255,175,112	1,218,208,461	36,966,651	2.95
	Capital	2,148,380,000	284,108,960	1,864,271,310	86.78
	Total	3,403,555,112	1,502,317,151	1,901,237,961	55.86
2017	Recurrent	1,490,106,000	1,369,578,812	120,527,188	8.09
	Capital	2,330,459,170	332,886,486	1,997,572,684	85.72
	Total	3,820,565,170	1,702,465,298	2,118,099,872	55.44

The following observations are made in this connection.

(a) Appropriation Account

The following observations are made.

Non-utilization of Provisions made

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- (i) The entire net provision amounting to Rs.1,859.3 million made for 09 Objects had been saved without being utilized.
 - (ii) Even though the sum of Rs.1,698 million of local cost on foreign funding and foreign loans had been included in the Estimates of Expenditure and the Action Plan for the years 2016 and 2017 for implementation of the Introduction of the Digital Technology Project for Territorial Television Telecast, the said project had not been commenced even by 10 September 2018, the date of Audit.

2.9 Estimated and Actual Revenue

Revenue Code No.10.02.13.00 – Tele Drama, Films and Commercial Programmes Tax

The following deficiencies were observed.

- (i) It had been ordered to be implemented from 01 September 2017 by the Fiscal Policy Circular No.01/2015 (ix) of 16 August 2017 of the Deputy Secretary of the Treasury. However, the total of Rs.584,708,736 comprising of revenue collected from September to December 2017 amounting to Rs.131,138,481, net revenue of Rs.61,890,236 from June to August 2017 and the value of Treasury Bills matured in the year 2017 amounting to Rs.391,680,019 had been credited to the Revenue Account.

- (ii) Arrears of revenue amounting to Rs.46,847,381 recoverable from 02 private media institutions from the year 2007 to the year 2013 had not been recovered even as at the end of the year under review and it had not been shown as arrears of revenue of prior years of the Revenue Account.

2.10 Advances to Public Officers Account

Limits authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No. 12201 relating to the Ministry and the actual amounts are shown below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
24,000,000	16,152,383	8,000,000	14,414,536	50,000,000	32,290,898

The following observations are made.

- (a) Loan balances of Rs.203,534 recoverable from 2 employees who had vacated the service in the years 2008 and 2017, had not been recovered even by 17 July 2018, the date of Audit.
- (b) In terms of National Budget Circular No.118 of 2004, action should be taken to recover the loan balances of officers transferred to other Ministries. However, it had not been so done and action had not been taken to recover the loan balances amounting to Rs.429,802 from responsible officers as well.

2.11 Imprest Accounts

In terms of Financial Regulation 371(5) revised by Public Finance Circular No.03/2015 of 14 July 2015, the ad-hoc sub-impres should be settled within 10 days after the completion of the purpose for which it is granted. Nevertheless, ad-hoc sub-impres totalling Rs.2,315,159 granted relating to 128 instances had been settled with a delay ranging from 01 month to 11 months after completion of the purpose.

2.12 General Deposit Account

The balances of the General Deposit Account under the Ministry as at 31 December 2017 totalled Rs.107.65 million. Action had not been taken in terms of Financial Regulation 571(3) to credit to the Government Revenue or to pay back as quickly as possible a sum totalling Rs.2.84 million relating to 2 lapsed deposits, even by 18 May 2018, the date of Audit.

2.13 Operation of Bank Accounts

Action had not been taken in terms of Financial Regulation 396(d) relating to 07 cheques lapsed over 06 months, valued at Rs.255,542 issued but not presented to the bank.

2.14 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
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(i) Register of Losses and Damage	Financial Regulation 110	Not maintained in an updated manner
(ii) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 dated 28 November 2002	Not maintained
(iii) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978	Not maintained in an updated manner and basic information such as the date of acquisition of assets and the value thereof had not been entered.
(iv) Inventory		Not maintained in an updated manner and the auctioned and disposed items had been entered in the Inventory.

2.15 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

(a) Financial Regulations 104(1) and 105(4)	Investigations had not been carried out relating to 09 motor vehicle accidents occurred in the year 2017 and 2 motor vehicle accidents occurred in the years 2015 and 2016, and action had not been taken against the responsible parties by determining them.

(b) Finance Act, No.11 of 2006

Sub-order No.7.2(b) of the Orders published in the Gazette Extraordinary No.2044/21 dated 07 November 2017 in terms of Section 8 of the Finance Act, No.11 of 2006

The licence holder can name only one other licence holding institution. However, the first licence holder had named several licence holding institutions and the Secretary to the Ministry had issued clearance certificates so that all licence holding institutions could telecast that programme.

2.16 Human Resources Management

2.16.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The position of the approved, actual, excess cadre and vacancies as at 31 December 2017 for performance of the functions mentioned above in paragraph 2.1 is as follows. A sum of Rs.123.5 million had been spent by the Department in the year under review for the category of Personal Emoluments. Accordingly, the per capita expenditure had been Rs.504,475.

Category of Employee	Approved Cadre	Actual Cadre	Vacancies	Excess
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(i) Senior Level	17	14	03	-
(ii) Tertiary Level	02	01	01	-
(iii) Secondary Level	70	58	12	-
(iv) Primary Level	32	23	09	-
(v) Other (Casual/Temporary/ Contract Basis)	02	18	-	16
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Total	123	114	25	16
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