

Head 165- Report of the Auditor General on the Ministry of National Integration and Reconciliation – Year 2017

The 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 National Integration and Reconciliation. 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 Scope of Audit

The audit of Ministry of National Integration and Reconciliation – Head 165 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 to the Ministry on 17 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 Ministry of National Integration and Reconciliation 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 2.11 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 Regulations 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)	That the financial work of his department should be planned so that the business is transacted with correctness and financial propriety; (that is so say, 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. Failure to fulfil the activities in the Action Plan 2. Non-maintenance of Registers and Books 3. Weaknesses in planning of procurement activities
127(1)(b)	That a system which provides adequate control over expenditure and the collection of revenues should be evolved	2.1.1 2.7 2.2.1(a) 2.8 2.10 2.11

127(2)	That 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 point of view of economy and efficiency.	Weaknesses in implementing procurement procedure Internal Audit	2.2.1 (b) (c) 2.9
127(3)	That all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgment to bear on them.	Other weaknesses in management	2.3
127(4)	That 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. Failure to table the Annual Performance Report in Parliament 2. Deficiencies in Imprest Account 3. Weaknesses in operating Bank Accounts	2.1.2 2.5 2.6
127(5)	That important variations between departmental Estimates and expenditure receive critical examination at the Ministry.	1. Failure to utilize the provisions provided 2. Excess provisions made	2.4(i) 2.4(ii)

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Non-execution of Functions

Non-execution of Functions included in the Action Plan

Even though 19 functions should have been executed by the Ministry according to the Annual Action Plan, only 14 functions out of that had been executed. Provision totalling Rs.181.5 million had been made for 05 functions not executed accordingly.

2.1.2 Annual Performance Report

In terms of Public Finance Circular No.402, dated 12 September 2002, the Performance Report relevant to the year under review should be tabled in parliament by the Ministry of National Integration and Reconciliation within 150 days . However, that report had not been tabled in parliament even by 16 August 2018.

2.2 Obtaining Supplies and Services by Procurement Procedure

The Ministry had provided provisions amounting to Rs.8.41 million which should be obtained supplies and services according to the Government Procurement Guidelines and out of that a sum of Rs.7.71 million had been utilized. Details are given below.

Object	Description of Object	Net Provisions provided	Utilization	Saving
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		Rs.millions	Rs.millions	Rs.millions
	Supplies			
1201	-Stationery and official requirements	2.03	2.02	0.01
1203	-Food and beverages and uniforms	0.35	0.34	0.01
1205	- Others	0.03	0.03	-
	Acquisition of Capital assets			
2102	-Furniture and office equipment	1.50	1.50	-
2103	-Machines and machineries	4.50	3.82	0.68
	Total	8.41	7.71	0.70
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2.2.1 Procurement Planning

(a) Procurement Planning and Initial Stage

Even though the other capital expenditure except the capital objects such as foreign aids co-operation, investments and staff training for the year under review amounted to Rs.268,843,080, the Procurement Plan had been prepared only for a sum of Rs.8,325,000. However, the Procurement Plan prepared had not been fulfilled the requirements of the Guideline 4.2(e) of the Government Procurement Guidelines .

(b) Implementation of the Procurement Procedure

The following observations are made.

- (i) Three procurements valued at Rs.4,533,238 had been carried out in the year under review from the same institutions which the procurement activities made in the year 2016, without calling bids from shopping method or open competitive bid method in terms of 3.4 and 3.2 of the Government Procurement Guidelines.
- (ii) The following weaknesses were observed relating to the procurement of printing 31,500 books and 12,050 certificates including 08 items under various themes by the National Harmony and Integration Bureau under the final stage of the programmes for the promotion of integration in the country through the art and cultural usages .
 - (a) A total cost estimate had not been prepared in terms of Section 4.3.1(a) of the Government Procurement Guidelines .
 - (b) The said printing activity had been directly handed over to the said Department to an estimate amount of Rs.6,465,000 prepared by the Printing Department without calling open competitive bidding as per 3.2 of the Procurement Guidelines .
 - (c)(i) The estimate for the printing of 10,000 copies of the book included 100 cartoon paintings of Mr. Charles Dayananda amounted to Rs.1,780,000 and later the number of copies to be printed from that book has reduced up to 5,000 and a sum of Rs.1,495,000 had been paid. Accordingly, a cost of a book without VAT amounted to Rs.178 in the reducing of copies had been increased by 46 per cent up to Rs.260.

- (ii) Even though the aforesaid printing activity should be completed as at 31 August 2017, only 3,805 books printed by October 2018 . Out of that ,950 books had been issued to the National Harmony and Integration Bureau .The Ministry had not received the remaining stock of books printed even up to 08 October 2018.

2.3 **Assets Management**

The following deficiencies revealed at the audit test check carried out in relating to assets.

(a) **Failure to examine fuel combustion**

Action had not been taken to examine the fuel combustion of vehicles in terms of Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.

(b) **Conduct of Annual Boards of Survey**

According to the Public Finance Circular No. 05/2016 of 31 March 2016, the Board of Survey for the year 2017 should be conducted and the reports thereon should be furnished to the Auditor General before 17 March 2018 in terms of Paragraph 3.1.6 of the Circular. Nevertheless, the Ministry had furnished those reports on 10 October 2018.

(c) **Irregular use of Assets belonging to other Institutions**

The Land Cruiser motor vehicle belonging to the Ministry of Traditional Industries and Small Enterprise Development had been used by the Secretary to the Ministry of National Integration and Reconciliation from November 2016 to 24 August 2018 without being taken over.

2.4 **Utilization of Provisions authorized by Parliament to Perform Activities.**

Information on provisions made for the Ministry during the period of 03 years ended 31 December 2017 , utilization and savings thereof are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs. millions	Rs. millions	Rs. millions	
2015	Recurrent	29.24	5.83	23.41	80
	Capital	3.56	0.79	2.77	78
	Total	32.80	6.62	26.18	80
2016	Recurrent	76.99	46.62	30.37	39
	Capital	320.21	290.73	29.48	9
	Total	397.20	337.35	59.85	15
2017	Recurrent	120.06	105.03	15.03	13
	Capital	3,419.35	2,709.52	709.83	21
	Total	3,539.41	2,814.55	724.86	20

The following observations are made in respect of the year under review.

(i) **Non-utilization of the Provisions Provided**

The entire net provision amounting to Rs.450,000 made for 02 Objects had been totally saved without making any utilization.

(ii) **Excess Provisions made**

Excess provisions totalling Rs.3194.15 million had been made for 17 Objects and as such the savings, after the utilization of provisions totalling Rs.2,478.31 million . As a result of that, the savings amounted to Rs.715.84 million and the said savings ranged between 11 per cent to 98 per cent of the net provisions provided.

2.5 **Imprest Account**

The value of the unsettled imprest balance amounted to Rs.81.90 million as at 31 December 2017 and it had been completely settled on June 2018.

2.6 **Operating Bank Accounts**

Balances to be Adjusted

Action in terms of Financial Regulations 396(d) had not been taken relating to 2 cheques valued totalling Rs.137,819 issued in December 2016 and July 2017

2.7 **Non-maintenance of Books and Registers**

It was observed during audit test checks that the Ministry had not maintained the following registers.

Type of Register	Relevant Regulation
(a) Register of Cheques ,money orders	Financial Regulation 451
(b) Security Register	Financial Regulation 891(1)
(c) Inventories of Electrical Fittings ,apparatus	Financial regulation 454(2)
(d) Fuel and Lubricant Register	Financial Regulation 1647(d)
(e) Register of Listing Vehicles	Financial Regulation 1647
(f) Register of Fixed Assets on Computer accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.
(g) Record of Liabilities	Financial Regulation 214

2.8 **Non- compliances**

Non-compliances with Laws ,Rules and Regulations

Even though an office vehicle attached to the Minister of National Integration and Reconciliation had been met with an accident by two drivers on the two days October 20 and 21 2016 , it had not been reported to the relevant authorities in terms of Financial Regulation 103(1) (a) . As the reason of delaying the commence of the preliminary examinations contrary to Financial Regulations 104(1)(b) , the preliminary report which should be immediately sent to the General Treasury as per 104 (3) and the full report which should be furnished within three months had been submitted delayed 8 months from the accident occurred and 1 year and 5 months respectively.

2.9 **Internal Audit**

Even though it is emphasized by Financial Regulations 133 that Internal Audit Units should be established by the Chief Accounting Officer for the purpose of the discharge of their duties and responsibilities ,the Ministry of National Integration and Reconciliation had not established an Internal Audit Unit.

2.10 **Audit and Management Committee**

In terms of Audit and Management Circular No.DMA/2009(I) dated 09 June 2009, the Ministry should have been conducted 4 Audit and Management Committees per year .However, the Ministry had conducted only 2 Audit and Management Committee meetings in the year 2017.

2.11 **Human Resources Management**

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars relating to the approved cadre, actual cadre, vacancies and the excess cadre for the execution of the duties of the Ministry as at 31 December 2017 are given below. The Ministry had incurred a sum of Rs.35.33 million for the category of personal emoluments for the year under review.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	12	09	03
(ii)	Tertiary Level	04	01	03
(iii)	Secondary Level	25	14	11
(iv)	Primary Level	12	12	-
(v)	Contract	04	01	03
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	Total	57	37	20
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Training of the Staff

As a requirement for the regular training of the staff existed, the Ministry had made provisions amounting to Rs.500,000 for the year under review for the training of the staff and the expenditure had been a sum of Rs.463,725. However, the number of officers who had not been obtained any kind of training was 28.