

Head 227 – Report of Auditor General on the Department of Registration of Persons - 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 and the Revenue Account relevant to the Revenue Code included in the Table 3.1.2 of the annual budget were presented to Audit by the Department of Registration of Persons. 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 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 Department of registration of Persons – Head 227 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 Commissioner General of the Department on 25 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

The audit observations of the Department of Registration of Persons 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 2.9 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 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph included observation in the Report
Financial Regulations		
128 (1) (a)	The work of his Department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized, and that an endeavor is made to complete the programme of work laid down for the year and/ or to attain the targets specified.	(i). The action plan had not been properly prepared. (ii.) Non- preparation of the budget estimate in a realistic manner.
128 (1) (b)	The organization for financial control and accounting in his department is effective, and provide adequately for the correct ascertainment, where necessary, of dues to Government, the	(i). Deficiencies in the implementation of procurement process.

systematic, complete and prompt collection of dues, and bringing to account of monies received, the 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.

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| 128 (1) (c) | The Financial Regulations and other Supplementary instructions of the Government are adhered to in his Department and that they are supplemented by Departmental instructions where necessary. | (i). Non-compliance | 2.8 |
| 128 (1) (f) | That such information statements, and returns as are called for by the Chief Accounting officer or the Treasury are rendered correctly and promptly. | (i). The Budget had not been prepared realistic. | 2.5 |

128 (1) (h)	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 money.	(i). Weaknesses in the recovery of outstanding loan balances of the Advances to Public Officers Account.	2.7
		(ii). Deficiencies in the Revenue Account.	2.6

2. Material and Significant Audit Observations

2.1 Performance

Planning

The Action Plan for the year 2017 had been prepared in terms of the Public Finance Circular No.01 / 2014 dated 17 February 2014. Accordingly, there were 08 main activities to be fulfilled by the Department in the year under review. However, Action Plan for collection of revenue and the plan on the requirement of imprests for the annual activities had not been included in the Action Plan which had been prepared for the obtaining of the expected results.

2.2 Commitments and Liabilities

Entering in to commitments by exceed the Annual Budget Limits

(a). The liability amounting Rs 1.16 million exceeding Rs 70.81 million which had been provided to two objects had not been brought to the account contrary to paragraph 2 (b) of the Public Accounts Circular No. 255/2017 dated 27 April 2017.

- (b). The liability for the annually recurrent supplies and services which are being settle in the following year can be made by a Department in terms of the FR 94 (2). However, the amount such allocated to the liability should not be more than 50 per cent of the amount allocated in the preceding three years but the liability for Expenditure Code of 226-1-2-1201 had been over 50 per cent.

2.3 Audit Paragraphs not been Resolved

Reference for the audit paragraphs which had not been corrected by the Department with regard to the deficiencies included in the Auditor General's Reports related to the Department.

Reference to the Auditor General's Report		Subject
Year	Paragraph No:	
2016	3.7 (a)	Personal Data Directory had not been prepared.
2016	3.7 (d)(i)(ii)(iii)	Instances where the two identity cards had been issued to the same person and the same number had been allocate to two persons.
2016	3.8	Card wastage

2.4 Management Weakness

The following weaknesses were observed in the sample auditing.

- (a). In the year 2017, 5092 applications had been received to the Legal Division and 3676 applications had been completed. According to annual performance reports, it was 3379 and a difference of 297 had been observed.
- (b). In the year 2016, 8 printing machines had been purchased for printing new smart cards (new NICs). Although the specifications of those printers had been prepared to print 100 per cent polycarbonate cards, the cards which were purchased at Rs. 35.92 million, were not 100 per cent polycarbonate cards. As a result, personal information on the cards had not been printed at the standard

level. There was 24 per cent wastage of 31,754 printed cards costing of Rs. 2,289,890 out of 132,958 cards printed from October to 31 December 2017. Preprinted cards had been issued time to time not in simultaneously. This contract had been awarded to a bidder without a valid performance guarantee that required in terms of Section 5.4.10 (d) of the Procurement Guidelines.

- (c). At the sample testing of preprinted cards, the Project Director had stated that information is expected to conform to International Standards of ISO/IEC 7810, ISO/IEC 10373, ISO/IEC 24789 and the percentage of polycarbonate in the raw material of the card whereas the percentage of Polycarbonate in the card had not been specified in the Laboratory Report. It was only mentioned that correspond to a polycarbonate and confirmed the polycarbonate nature of the sample.
- (d). A National Personnel Information System had not been established and maintained in order to represent the personal data of every Sri Lankan citizen as depicted in the Department's functions.
- (e). No any formal procedure to use sufficient laminating rollers and insert bulk materials to print 47,000 of the old identity cards and these materials were insecurely stored.

2.5 Utilization of Provisions Authorized by Parliament to Perform Functions

Information on the provision made for the Department, utilization and savings in the year ended 31 December 2017 and the previous year and the audit observations thereon are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage from Net Provision
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		Rs. Million	Rs. Million	Rs. Million	
2016	Recurrent	633.91	626.26	7.65	1.2
	Capital	88.20	87.44	0.76	0.9
	Total	722.11	713.70	8.41	1.2
2017	Recurrent	747.52	744.98	2.53	0.3
	Capital	70.70	65.20	5.50	7.8
	Total	818.22	810.18	8.03	1.0

The following observations are made in this connection.

(a). Preparation of Budget Estimates

Instances of approximate amount or even more than the amount provided from the Annual Estimate of 03other objects transferred from 6 to 63 per cent since no accurate estimate for objects in the coming year, had been observed.

(b). Appropriation Account

i. Not Utilizing Provisions made

The total net provision of Rs. 200,000 which was provided under an object had been totally saved without any utilization. The Ministry had been provided Rs. 1000 million for the activities of the project for issuing E-NIC and only Rs. 292.28 million had been utilized by the end of the year. Accordingly, 71 per cent amounting Rs. 707.72 million from the total provision had been saved.

ii. Over provisions

A sum of 9.85 million had been over provided for 5 objects and Rs. 5.14 million had been saved from these objects since only a total of Rs. 4.71 million had been utilized. It ranged from 7 per cent to 100 per cent from the net provision.

iii. Provisions made under Supplementary Estimates

An amount of Rs.75, 482,000 had been provided by the Department for the financial year 2017 under the supplementary estimates and it was 10 per cent of the annual estimated amount. Supplementary estimates for 10 objects had been provided and it was 8 per cent to 257 per cent of the original estimated provision for those objects.

2.6 Estimated and Actual Revenue

The Department had estimated a revenue totalling Rs.240 million in respect of a Revenue Code for the year 2017 and revenue totalling Rs.289.79 million had been collected during the year under review. It was over 21 per cent of the estimated revenue. There was a difference of stamp revenue amounting Rs. 371,541 had been observed in the computer system and the Departmental records.

2.7 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.22701 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. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
35.00	33.82	22.00	22.06	70.00	62.07

According to the Reconciliation Statement presented to Audit, , the outstanding loan balance as at that date amounting to Rs. 317,529 except for the loan balances of the officers who were transferred, had been brought forward over a period ranging from 2 to 14 years. Nevertheless, the Department had failed to recover the said outstanding loan balance.

2.8 Non-compliance

2.8.1 Non-compliance with Laws, Rules and Regulations

In seven instances, special advances had been given contrary to the Public Administration Circular No. 26/2015 and 31/2016 and Rs. 4,000 had been due at the end of the year.

2.9 Human Resources Management

2.9.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

Particulars on the approved cadre, actual cadre, vacancies and excess staff as at 31 December 2017 are given below. The Department had spent Rs.567.71 million in respect of personal emolument category for the year under review.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	30	23	07
(ii)	Tertiary Level	04	03	01
(iii)	Secondary Level	1,217	1,012	205
(iv)	Primary Level	144	133	11
(v)	Casual / Contract	06	06	-
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	Total	1,401	1,177	224
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