

Head 251 - Report of the Auditor General of the Department of Valuation– Year 2017

The Appropriation Account and a 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 Department of Valuation. The financial and physical performance reflected from 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 on the Financial Management and Accountability of the Chief Accounting Officer, Accounting Officer and the Revenue Accounting Officer

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. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all 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 Article 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 Department of Valuation – Head 251 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 applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, 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 Chief Valuer of the Department on 21 August 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 Valuation for the year ended 31 December 2017 revealed in audit appear in Management Audit Report 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 and the Accounting Officer have been executed, to ensure the adequacy of the financial control satisfactorily subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulations 128 of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128 (i)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph included Observation
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Financial Regulation -----		
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 authorized and that an endeavour is made, to complete the programme of work laid down for the year and/ or to attain the targets specified.	1. Deficiencies in preparation of imprest estimates. 2.8 2. Deficiencies in implementation of procurement process. 2.2 3. Decrease in values and qualities of assets. 2.3 4. Not achieved expected output. 2.1.1
128(1)(b)	The organization 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 money 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 therefore from public funds.

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 instruction, where necessary.	Non compliances	2.9
128 (1)(d)	Ensure that, an adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	1. Deficiencies in income accounts. 2. Human resources management.	2.6 2.10
128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time; and, where they are disposed of, such disposal is according to prescribed Regulations and Instructions.	Deficiencies in assets management.	2.3
128(1)(f)	Information, statements and returns as are called for by the Chief Accounting Officer or the Treasury, are rendered correctly and promptly.	1. The budget estimates had not been prepared realistically. 2. Delay in forwarding annual performance report.	2.5 2.1.2
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 recovery.	Not recovered outstanding loan balances in the Government officers' advance account.	2.7

128(1)(n) Officers liable to provide Deficiencies in receiving 2.11 Security do so in terms of the securities from relevant officers. law and instructions in force.

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Non performed functions

Not Achieving Expected Output Level

(a) A sum of Rs.163,000 had been received as advances for 17 valuation jobs from various institutions and though it has lapsed ranging period six months to one year that works had not been completed and taken in to the income. Further, information in 22 files could not be found relating to advances of Rs.158,500 taken by the North western Provincial Office. Due to failure in completing those 39 activities, the charges could not be called and only the advances had been taken in to the income.

(b) Achivement of Sustainable Development Goals

In accordance with the agreement of the members countries had at the United Nations Conference in September 2015, the United Nations Sustainable Development Agenda for the year 2030 including goals and targets which every countries to be achieved by the year 2030 had published Every public institution should act in compliance with the said agenda, but it was observed in audit with respect to the year under review, the department not been aware as how to take actions relating to the activities under purview of their scope had not been taken.

2.1.2 Annual Performance Report

In terms of Public Finance Circular No.402 of 12 September 2002, the performance report of the year under review should be tabled in parliament within 150 days after closure of the financial year by the department but the said report had been tabled in parliament on 10 July 2018 with delay in 40 days.

2.2 Implementation in Procurement Process

The following observations are made.

(a) A sum of Rs.211,140 had been spent for producing filling racks of the Information and Communication Technology division by calling quotations from 02 institutions without preparing cost estimates in terms of section 4.3.1 of the Procurement Guidelines Manual. The recommendation of a Technical Officer had not been taken for this construction and observed that, without retaining the security deposit the total value had been released to the contractor.

(b) A sum of Rs.1,898,366 had been paid to the Buildings Department for modification activities of the office building which was taken on rental basis of the Legal Division of

the department located at Borella without proper agreement with the Owner. A written agreement had not been signed with the Buildings Department in this regards.

2.3 Assets Management

The following deficiencies were observed in the audit test checks regarding the assets of the Department.

(a) Recording of Assets

In terms of Management Circular No.01/2017 of 28 June 2017 while furnishing information to the Comptroller General's Office, the value of the vehicles and machineries had been under stated by Rs.7,768,000 and Rs.12,083,950 respectively than the value in the appropriation account and the value of furniture and office equipment had been over stated by Rs.14,159,568. Further, observed that 04 to 07 months time delay had occurred for furnishing information.

(b) Non checking of fuel consumption

In terms of section 3.1 of the Public Administration Circular No.30/2016 of 29 December 2016, even though the consumption of fuel must be re-tested after running a distance of 25,000 km or after carrying out a major repair to the engine, which ever occurs first, the department had not taken action for 02 vehicles accordingly.

2.4 Obligations and Liabilities

Obligation the exceeding the limits of the Annual Budget.

Contrary to the section 02 (a) of the Public Accounts Circular No.255/2017 of 27 April 2017, the Department had committed for obligations of Rs.1.7 million by exceeding Rs.1.64 million in 04 objects in approved provision of Rs.33.43 million in the year under review.

2.5 Utilization of Provisions made by Parliament for the Accomplishments of Function

(a) Information in respect of provisions made to the department during the 5 years ended 31 December 2017, utilization, savings and the audit observations thereon are given below.

Year	Expenditure catogery	Net Provision	Utilization	Savings	Savings as a Percentage of the Net Provision
		Rs.Millions	Rs.Millions	Rs.Millions	Percentage
2013	Recurrent	260.94	259.35	1.59	0.61
	Capital	2,038.00	2,035.56	2.44	0.12
	Total	2,298.94	2,294.91	4.03	0.18

2014	Recurrent	300.85	299.95	0.91	0.3
	Capital	740.50	735.12	5.38	0.73
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	Total	1,041.35	1,035.07	6.28	0.6
		=====	=====	=====	=====
2015	Recurrent	365.80	364.62	1.18	0.32
	Capital	38.20	26.81	11.39	29.81
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	Total	404.00	391.44	12.56	3.11
		=====	=====	=====	=====
2016	Recurrent	378.65	363.59	15.06	3.98
	Capital	129.60	126.30	3.29	2.54
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	Total	508.25	489.89	18.36	3.61
		=====	=====	=====	=====
2017	Recurrent	387.32	360.15	26.81	6.92
	Capital	2,528.50	1,088.73	1,439.77	56.94
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	Total	2,915.82	1,449.24	1,466.58	50.30
		=====	=====	=====	=====

(b) Appropriation Accounts

The following observations are made.

Made an over provisions

As over provisions made to three objects by total amount of Rs.27 million only Rs.113 million was utilized from the total provision of those objects. As such, out of net provision ranging 20 per cent to 50 per cent was saved.

2.6 Estimated and Actual Income

The following observations are made.

- (a) The department had estimated a total amount of Rs.160 million from a income code 01 for the year 2017 and a sum of Rs. 164 million had been collected during the year under review. Accordingly, the department had earned excess amounted to Rs.4 million exceeding the estimated income.
- (b) As per the income code No.20.03.02.09 forwarded to the audit, a total income amounted to Rs.371.002 million was due and that income was due for a period ranging 01 year to 10 years. Several attempts were made to recover those outstandings but the department was unable to recover those due income.

The chief assessor had informed to the audit that, a sum of Rs.40.425 million had been recovered after 31 December 2017.

- (c) Total value of some income amount received in relevant years and some bills amount which were prepared for the free of charge institutions amounted to Rs.8,520,055 relevant to the period from 2009 to 2015 had been removed from the due income statement during the year under review. However, the Treasury approval had not been taken to write off above due income.
- (d) A sum of Rs.32,454,880 had been paid as incentives to the officers of the Department of Valuation for last two years and till July of the year under review based on the instructions issued by the Head of the Department without approval of the Treasury and the payment scheme had also been amended on the request of the officers in several occasions.
- (e) A sum of Rs.986,445 had been paid as secretary allowances and Accountant allowance for carrying out duties in the compensation Tribunal for the period from 2015 to December 2017 but though no compensation had been paid for the whole year 2015 and in August 2017 the allowances had been paid. Though compensation had been paid in 04 instances in 2016, monthly allowances had been taken all over the year.

2.7 Public Officers Advance Account

According to the reconciliation statement presented to audit, the total outstanding loan balances except the loan balances of officers who had gone on transfers, amounted to Rs.870,168 had remained ranging from 03 months to 26 months period but the Department had unable to take action to recover those balances. The audit had been informed by the Head of the department that, a sum of Rs.21,300 from an officer who had gone on transfer and sum balances from the officers who had gone on vacation of post had been recovered now.

2.8 Imprest Account

No balance had remained in the imprest accounts of the department as at 31 December 2017. The following observations are made regarding the imprest account maintained in the department. According to the imprest accounts maintained by the department for the year under review, information in respect of the expected imprest request for the month, requested imprest amount for the month, and the received imprests are given below.

Month	Imprest to be requested according to the plan	requested imprest	Imprest received	Difference in between planned imprest and imprest requested	Difference in between requested imprest and received imprest
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	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
January	29.90	24.52	23.60	(5.38)	(0.92)
February	29.90	23.82	22.30	(6.08)	(1.52)
March	29.15	24.50	24.00	(4.65)	(0.50)
April	34.40	27.87	28.00	(6.53)	0.13
May	30.40	26.61	25.50	(3.79)	(1.11)
June	30.15	25.50	24.50	(4.65)	(1.00)
July	1,531.15	25.60	24.60	(1,505.55)	(1.00)
August	30.65	25.50	523.60	(5.15)	498.10
September	947.22	25.50	22.50	(921.72)	(3.00)
October	30.90	25.50	22.50	(5.40)	(3.00)
November	30.65	22.50	271.50	(8.15)	249.00
December	31.90	21.50	271.50	(10.40)	250.00
	2786.37	298.92	1,284.10	(2,487.45)	985.18

- (a) Even though the planned imprest for the year under review was Rs.2,786 million, requested only Rs.299 million. Imprest amounted to Rs.1,284 million had been received during the year. As such, out of the planned imprest had been requested only 11 percent during the year. But four times more than the requested imprest had been received by the department.
- (b) Out of the planned imprest, very small amounts such as 02 percent in July and 03 per cent in September had been requested. Therefore, payment of the Compensation Tribunal could not be totally completed during this year due to imprest had not been taken for the balance provision of 57 per cent to make payment in the compensation Tribunal under object No.2501.

2.9 Non compliance

2.9.1 Non-compliance with Laws, Rules and Regulations

The following non-compliance with Laws, Rules and Regulations were observed in the audit test checks.

Reference to Laws, Rules and Regulations	Value	Non compliance
	Rs.	
Financial Regulations of Democratic Socialist Republic of Sri Lanka.		
(a) Financial Regulation 1645	-	Monthly running chart summaries of the department bus for 10 months in 2014, 02 months in 2015, 05 months in 2016, and 03 months in 2017 had not been furnished to the audit.
(b) Public finance circular no.434 of 31 December 2008	1,524,002	Eventhough the valuation works in all institutions who depend on the government grants should be done on free of charge basis, had worked contrary to the above in 29 instances during the year under review.

2.10 Human Resources Management

Approved Cadre, Actual Cadre and expenditure on Personal Emoluments

The particulars on Approved Cadre, Actual Cadre, Vacancies and excess cadre as at 31 December 2017 to perform the functions are given below. A sum of Rs. 292 million had been spent by the department for the year under review for the personal emolument expenditure object. As such, per capita expenditure was Rs. 504,089.

Staff Category	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
(i) Senior Level	227	43	184	-
(ii) Tertiary Level	365	330	35	-
(iii) Secondary Level	132	120	12	-
(iv) Primary Level	96	84	12	-
(v) Casual/Contact	-	02	-	02
	820	579	243	02

The following observations are made in this regard.

The Service Minute to be expected to get approve since 2012 from various institutions had not been approved even till 31 August 2018 and therefore, the department had to perform with the 243 vacancies in the cadre. The audit suspicions that the performance of the Department was adversely affected.

2.11 **Security Deposit by Public Officers**

In terms of financial regulation 880, the officer who are required to give security had not given security and the attention had not been paid by the Head of Department in this regards.