

Head 324– Report of the Auditor General of the Department of Management Audit for the year ended 31 December 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 had been presented to audit by the Department of Management Audit. The financial and physical performance reflected in those accounts and the 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 the Accounting Officer on the financial management and the Accountability

The Ministry 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 term 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). 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 the Department of Management Audit – Head 324 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, management of Government expenditure, Government revenue, human and physical resources, application of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentations 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 Director General of the Department on 06 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 statement and performance reports presented to audit and tests 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 observation of the Department for the year ended 31 December 2017 revealed in audit appear in detail 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 2.3 of this report. It was observed that the accountability as the Accounting Officer has been executed, to ensure the adequacy of the financial control satisfactorily subjected to the following summarized audit observations revealed in the performance of the provisions of the Financial Regulations 128 of the Democratic Socialist Republic of Sri Lanka.

Responsibilities of Accounting In terms of Financial Regulation 128(1) Officer -----	Accounting Officer not conformed to that provision -----	Reference to the Paragraph of the report included the observation -----
128(1)(a)	The work of his Department is planned and carried out with due despatch, having regard to 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) Action not Prepared accurately 2.2.1 (ii) Deficiencies in preparation of Imprest estimates. 2.5 (iii) Not achieving expected level of out comes. 2.2.2
128(1)(e)	Adequate and proper arrangements are made for the safe custody and Prevention 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 as 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.	Action Plan not prepared accurately	2.2.1
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2. Material and Significant Audit Observations

2.1 Key Functions of the Department

- (a) Perform as the Apex Body of the Public Sector in order to uplift and enhance the quality and efficiency of Internal Auditing.
- (b) Conduct Management Audit of Development Projects in each Ministries, Special Spending Units and Departments.
- (c) Introduce Guidelines for Internal Auditing.
- (d) Coordinate and Guide the Internal Auditing.
- (e) Skill development of Internal Auditors in Public Sector.
- (f) Represent Audit and Management Committees in each Ministries, Special Spending Units and Departments with guidance.
- (g) Conduct Special Investigations.
- (h) Participation to the Committee on Public Accounts and Preparation and Submission of Treasury Reports to the Committee.

2.2 Performance

2.2.1 Planning

Department had Nine Key functions to be executed in the year under review and the action Plan had been Prepared in accordance with the Public Finance circular No 01/2014 dated 17 February 2014, but the imprest requirement plan for the annual activities to receive expected out come had not been include.

2.2.2 Non – execution of Activities

Non – receiving of Expected Outcome Level

Even though various programmes had been introduced to execute functions in the annual action plan, it was observed that expected out come level had not been achieved in some instance.

- (a) One of objective of the Department is disclosure irregularities that occur and might be taken place in future in the Public Sector through special investigations and introduction of preventive measures and recommendations to avoid such situation and occurrences. However it was observed that four incompleted special investigations executing since 2016 had not been completed even in 2017.

- (b) Conducting Management Auditing in the Project under Ministry of Finance was one of the major function among the establishment objectives of the Department of Management Audit. However, only one internal audit in a project had been carried out in the year 2017.
- (c) Introducing guidelines for internal audit was a main function of the Department and the Audit had been informed that issuing of two gridlines for performance audits and special investigations had been started in 2014 and actions had been taken to issue those guidelines in 2017. But even at the end of the year 2017, after end of four years, department was unable to do so.
- (d) Even though further improvement of circular No.DMA/2009(1) for proper conducting of Management Committee Meetings had been included to the action plan of 2017, but no amendments had been executed during the year under review.

2.3 Utilization of Provisions made by Parliament for the execution of Activities

The particulars relating to the provisions made for the Department the utilization and savings during the period of 05 years ended 31 December 2017 are given below.

Year	Category of Expenditure	Net Provision ----- Rs.Millions	Utilization ----- Rs.Millions	Savings ----- Rs.Millions	Savings as a Percentage of Net Provision -----
2013	Recurrent	25.71	22.08	3.63	14.12
	Capital	1.6	1.33	0.27	16.88
	Total	27.31	23.41	3.9	14.28
2014	Recurrent	26.3	24.65	1.65	6.27
	Capital	1.6	1.32	0.28	17.5
	Total	27.9	25.97	1.93	6.92
2015	Recurrent	30.46	30.39	0.07	0.23
	Capital	1.5	1.31	0.19	12.67
	Total	31.96	31.7	0.26	0.81
2016	Recurrent	42.54	41.32	1.22	2.87
	Capital	1.87	1.68	0.19	10.16
	Total	44.41	43.00	1.41	3.17
2017	Recurrent	46.91	43.57	3.34	7.12
	Capital	4.9	2.34	2.56	52.24
	Total	51.81	45.91	5.90	11.39

Made Over Provisions

Over Provisions of Rs.2.6 million had totally been made for 03 objects and after usage provisions a sum of Rs.2.33 million saved from those objects. These, out of provisions made for objects provisions ranging 56 percent to 99 percent had saved.

2.4 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on personal Emoluments

The particulars of the approved cadre, actual cadre and the number of vacancies as at 31 December 2017 for the execution of the activities mentioned in paragraph 2.1 above are given below. A sum of Rs.30.49 million had been incurred by the Department for the Personal Emoluments Expenditure Category for the year under review. Accordingly, the expenditure per person had been Rs.781,802.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	17	14	03
(ii) Secondary Level	23	17	06
(iii) Primary Level	13	08	05
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Total	53	39	14
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