

Head 242 - Report of the Auditor General of the Department of Management Services - 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 Department of Management Services. The financial and physical performance reflected from 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 on the Financial Management and Accountability of the Chief Accounting Officer and the 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 the Department of Management Services - Head 242 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 Director General of the Department on 19 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 Department of Management Services for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above in detail. 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. The audit observations revealed in the execution of accountability as the Accounting Officer in accordance with provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka, to ensure the adequacy of the financial administration are summarized and shown in the undermentioned table.

Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)	Non - compliance with those provisions by Accounting Officer	Reference to the Paragraph of the report which included the Observation
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Financial Regulation -----		
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	1. Non-achieving of Sustainable Development Objectives. 2.7 2. Non-preparation of Budget Estimates in a realistic manner. 2.6 3. Deficiencies in implementation of Procurement Procedure . 2.2 4. Desired Output Level that could not be achieved 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 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 therefore from public funds.	<ol style="list-style-type: none"> 1. Deficiencies in preparation of Imprest Estimates 2. Weaknesses in execution of services to the public 	<p>2. 8</p> <p>2. 4</p>
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.	Non maintenance of Registers and Books in an updated manner.	2. 9
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 / Vehicle Utilization	2. 3
128 (1) (f)	Any expenditure or commitment incurred, falls within the scope and limits of his Votes or other authorized financial provision, and covered by adequate authority	<ol style="list-style-type: none"> 1. Deficiencies appeared in Advances to Public Officers' Account. 2. Deficiencies in Human Resources Management. 3. Officers required to give Security 	<p>2. 7</p> <p>2. 10</p> <p>2. 11</p>

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Not performing the Activities

Even though the Department had to perform 05 main functions as per the Annual Action Plan , 02 out of those 05 activities had not been completed as per the Annual Performance Report. The observations appear below.

- (a) The responsibility to maintain and update a database on staff in the public sector was assigned to the Department of Management Services showing changes occurred relating to the matters such as recruitments, resignations, vacated from posts, dismissals, retirement and death of officers of all the State Institutions as per the Management Service Circular No. 04/ 2017 of 20 September 2017 on the Decisions of the Cabinet of Ministers' Meeting held on 15 August 2017 . It had been instructed to submit quarterly updated information to the Cabinet of Ministers as well. The following issues were observed in this regard .
- (i) Only the approved cadre information was comprised of Ministries and 08 Departments and 39 Public Corporations and Statutory Bodies in the Report of the Public Services Human Resource Information – 2017 which was submitted to the Parliament in December 2017 and the details of the actual staff of those organizations had not been included.
 - (ii) Even though an approved cadre information system is being maintained by the Department as per revealed in audit, it had been added to the system only in two occasions after the actual cadre information had been received from the relevant institutions.
 - (iii) Even though it had been made Directives to maintain a Database by gathering the actual staff of Semi- government Agencies and Local Government Bodies as per the Directive 09 of the Public Accounts Committee Meeting held on 18 February 2014 , the Department had so far failed to maintain accurate, complete and timely database sets that are being implemented that objective.
- (b) The following deficiencies were observed regarding the procedure of establishment of new posts in the Public Sector which was mentioned as the Mission of the Department to provide the optimum number of posts required for the maintenance of the public service in an excellence level and the proper functioning in respect of that.

- (i) Some steps included in the procedure of establishment of new posts in the public sector had not been followed whilst creating new posts.
 - (ii) There were the instances such as the evidences not included in files whether the approval had obtained under Financial Regulation 71 whilst creating new posts.
 - (iii) It was not observed that the Department had instructed as actions should be taken to get the approval as far as possible at the same time for the posts of the relevant institutions and as a result, there were occasional approvals of posts from time to time.
- (c) It had been proposed to carry out a staff review to provide the public service at the optimum level as per the Budget Proposal in 2017 with the objective of providing efficient and quality services to the public from public sector institutions. Accordingly, a Circular as "Reviewing of the Staff of the Public Institutions - 2017" had been issued by No. 01/2017 dated 11 January 2017 by the Department. However, it is still being worked on this matter even after the date of audit and those activities had not been completed.
- (d) According to the Action Plan of the year 2017 the staff reviewing for maintaining of the optimum cadre in the entire public service had been a main function and it had been identified this review and identifying a methodology of modern technology in respect of Human Resources Management and training of the officers of the Department regarding to use those methodologies in practically as the second main function of the Action Plan. The approval of the Deputy Secretary to the Treasury had been obtained to conduct this workshop in an external location and the procurement activities had been completed by allocation of funds amounted to Rs. 850,000 for the year under review including this activity also. Nevertheless, this training programme had not been held even by the end of the year under review and Staff review activities were also at the Preliminary Stage. As a result, it was observed that the objectives expected to be achieved during the year under review had not been fulfilled. The Department had informed to the Audit that, this function was carried out having consulted experts on Human Resources Management and started the work and in participation of the Committee Members represented the Salaries and Cadre Commission, Department of National Budget, Ministry of Public Administration.

2.2 Implementing the Procurement Process and Obtaining Supplies and Services

As per the Procurement Plan of the year 2017 prepared when obtaining the supplies and services required for fulfilling of the Performance of the Department , a sum of Rs. 1.6 million had been allocated under the stationary and office requirements and an additional provision of Rs. 1 million had been obtained during the year. Accordingly, since the Procurement Plan had not been revised, the Procurement Plan of the Department was not formal.

2.3 Asset Management

2.3.1 Vehicle Utilization

The following observations are made.

- (i) One vehicle out of 05 vehicles which were provided under the Financing Lease Method by the Department of National Budget had been handed over to the Line Ministry. Even though the fuel expenses related to that vehicle had been borne by the Ministry, the other expenses amounted to Rs. 195,618 had been incurred by the Department.
- (ii) A vehicle belonging to the Department had been temporarily given to the Ministry of Finance on 11 January 2017 and a sum of Rs. 64,839 had been borne from that date by the Department as repairs up to 10 April 2018 the date of audit.
- (iii) Due to actions not taken to conduct a full investigation on vehicles and their equipment the existence of the vehicles mentioned in the Register of Fixed Assets was not confirmed in the audit.

2.4 Execution Services to the Public

It was observed that the Department had not achieved the following services which should be performed to the public by paying attention in respect of the following areas.

- (a) Although the details should be included in the area where the Action Plan and the Performance Report should be included in the Department's Website, the website had not been updated including the Action Plans and those information in the years 2016, 2017 even by 13 September 2018 the date of audit. The Department had informed the audit that the relevant information had submitted to the Department of Information Technology Management to be included in the Website.
- (b) Although the Department should update including the cadre details of the Statutory Boards, Public Sector, Provincial Councils, District Secretariat / Divisional Secretariats under "Links" on the Website by the Department, actions had not so taken.

2.5 Achievement of Sustainable Development Goals

Every Government Agency has to work according to the United Nations " Agenda" for Sustainable Development year 2030 and it had not been aware of what the Department of Management Services should have to do and how to take measures relating to the activities under purview of their scope relating to the year under review.

2.6 Utilization of Provision made by Parliament for the Execution of Activities

The particulars relating to the provision made to the Department and utilization and savings for the 05 years period ended 31 December 2017 and the audit observations in respect of that are given below.

Year	Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of Net Provision
		Rs. Million	Rs. Million	Rs. Million	
2013	Recurrent	35.2	32.8	2.4	7
	Capital	15.2	3.5	11.7	77
	Total	50.4	36.3	14.1	28
2014	Recurrent	36.7	33.8	2.9	8
	Capital	2.1	1.5	0.6	28
	Total	38.8	35.3	3.5	9
2015	Recurrent	44.3	43.1	1.2	3
	Capital	4.1	3.3	0.8	19
	Total	48.4	46.4	2.0	4
2016	Recurrent	50.0	48.6	1.4	3
	Capital	3.2	1.8	1.4	44
	Total	53.2	50.4	2.8	5
2017	Recurrent	72.4	66.2	6.2	9
	Capital	3.8	3.7	0.1	3
	Total	76.2	69.9	6.3	8

The following observations are made in connection with the year under review.

- (a) The Annual Provision of 11 Recurrent Expenditure Objects and 02 Capital Expenditure Objects during the year 2017 totalled to Rs. 55,380,000 had been increased from 16 per cent to 303 per cent by Supplementary Estimate Provision totalled to Rs. 16,067,300.
- (b) Annual Provision of 02 Recurrent Objects had been increased by 242 per cent and 303 per cent by the additional provision totalled to Rs. 5,690,300 .
- (c) The savings totalled to Rs. 4,124,515 out of the provisions made totalled to Rs. 30,672,000 for 11 Objects and those were ranged from 35 per cent to 85 per cent out of net provision.
- (d) Even after transferring a sum of Rs. 739,000 under Virement Procedure to another Object out of the provision amounted to Rs. 950,000 made available for the foreign travel Object, a sum of Rs. 180,263 or 85 per cent had been saved at the end of the year without utilization.
- (e) Despite the increase in the provisions by Supplementary Estimates totalled to Rs. 9,974,000 for the 09 Objects during the year, the total of contributions amounted to Rs. 5,255,219 had ranged from 16 per cent to 87 per cent out of those provisions.

2.7 Advances to Public Officers' Account

----- Limits Authorized by Parliament -----

The limits authorized by the Parliament for the advances to Public Officers Account of the Department Item No. 24201 and the actual amounts are given below.

Expenditure -----		Receipts -----		Debit Balance -----	
Maximum Limit -----	Actual -----	Minimum Limit -----	Actual -----	Maximum Limit -----	Actual -----
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
6.00	5.32	2.50	3.11	18.00	15.26

The following observation is made in this regard.

According to Budget Circular No. 118 dated 11 October 2004 even though the balance of loans of the officers who had station transferred out of the Department should be settled within 03 months, actions had not been so taken in respect of the total loan balances of two officers totalled to Rs. 381,910 .

2.8 Imprest Account

The following observations are made in connection with this.

- (a) As per the Letter No. TO/ BE1/2 / IMP/ 242/2017 entitled to determine the limits in imprest dated 09 January 2017 of the Department of Treasury Operations, although it had been informed that the action should be taken to determine the limits by reporting true information by reviewing once in a quarter, the actions had not been taken accordingly due to the major differences exist in the imprests planned and that had been requested and the imprest received between the planned and the received edits as mentioned above. Department.
- (b) Although an imprest amounted to Rs. 690,000 had received to the Department for the staff salary by the cheque No. 17120027 on 04 December 2017, the money had been returned by the cheque No. 282284 to the Deputy Secretary to the Treasury on 29 December 2017 without utilizing the money for any purpose.

2.9 Non – maintenance of Registers and Books in an Updated Manner

The Register of Fixed Assets had not been updated in terms of the Treasury Circular No. 842 dated 19 December 1978 including the details of the vehicles belonging to the Department.

2.10 Human Resources Management

Approved Cadre, Actual Cadre and expenditure for Personal Emoluments

The particulars in respect of the Approved Cadre, Actual Cadre and the Vacancies as at 31 December 2017 of the above Department are given below. The Department had incurred a sum of Rs. 48.1 million for the Object of personal emoluments for the year under review. Accordingly, the per capita expenditure on personal emoluments had been Rs. 625,776 .

Category of Employees -----	Approved Cadre -----	Actual Cadre -----	Number of Vacancies -----
(i) Senior Level	25	17	08
(ii) Tertiary Level	03	03	00
(iii) Secondary Level	47	40	07
(iv) Primary Level	20	17	03
Total	<u>95</u>	<u>77</u>	<u>18</u>

The following observations are made.

- (a)** It was observed that 18 vacancies exist including 08 posts of Senior Level over the several years and though it is necessary to fill the vacant positions or if it is not necessary, to take action to review the staff, the Department had not so acted.
- (b)** The approved cadre as at 31 December 2016 was 89 and the number of approved cadre as at 31 December 2017 was 95. Accordingly, although the actions had been taken by the Department to approve 06 posts, the Department had not taken action to make a staff review if the posts are not needed.

2.11 Government Officers Required to give Security

Even though the relevant Officers would be required to give Security in accordance with the Public Officers Security Ordinance in terms of the Financial Regulations 880, the Department had not performed so.