

## **Head 108- Report of the Auditor General on the Ministry of Posts, Postal Services and Muslim Religious Affairs – Year 2017**

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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 Posts, Postal Services and Muslim Religious Affairs . 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**

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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**

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The audit of the Ministry of Posts, Postal Services and Muslim Religious Affairs – Head 108 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 12 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

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The audit observations of the Ministry of Posts, Postal Services and Muslim Religious Affairs 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 2.12 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 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

<b>Accountability of the Chief Accounting Officer in terms of Financial Regulation 127</b>	<b>Non-compliance with that Provision by the Chief Accounting Officer</b>	<b>Reference to the Paragraph of the report which included the Observation</b>
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<b>Financial Regulations</b>		
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127(1)(a)	That the financial work of his department should be planned so that the business is transacted with correctness and financial propriety.	1. Non-preparation of Budget Estimates realistically. 2.7(b) 2. Weaknesses in preparation of imprest estimates 2.9 (b) 3. Non-maintenance of books and registers. 2.10
127(1)(b)	That a system which provides adequate control over expenditure and the collection of revenues should be evolved	1.Management Weaknesses 2.5 2..Weaknesses in human resources management 2.11
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.	1. Weaknesses in utilization of vehicles 2.3(a) 2. Underutilization of Assets 2.3(b) 3. Improper use of the assets belonging to other institutions 2.3 (c)

## 4.Reports on Boards of Survey

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. Deficiencies in Imprest Account	2.9(b)
127(5)	That important variations between departmental Estimates and expenditure receive critical examination at the Ministry.	1. Failure to utilize the provisions provided 2. Over provisions made	2.7( c)(i)  2.7(c) (ii)
127(7)	That the procedure laid down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to Government by the delays, negligence ,fault or fraud on the part of officers/employees and surcharges are imposed on the officers/employees responsible for such losses, in terms of F.R 156 (1) .It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the departments for which he is responsible.	Losses and Damage	2.4

## 2. **Material and Significant Audit Observations**

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### 2.1 **Performance**

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#### **Planning**

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The Action Plan for the year 2017 had been prepared in terms of the Public Finance Circular No.01/2014 dated 17 February 2014 and the following weaknesses observed in the implementation.

- (a) Six Projects valued at Rs.146.45 million which had not been included in the Action Plan of the year 2017 had been implemented . Although works amounting to Rs.11.2 million for the capital expenditure according to the Action Plan had been planned , a sum of Rs.160.19 million had been spent for that purpose. The Action Plan had not been amended in this connection.
- (b) The progress of 06 programmes relating to Rs.8.9 million in the year under review had not been included in the Performance Report

### 2.2 **Failure to Achieve the Expected Output Level**

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Even though provisions amounting to Rs.206.95 million had been utilized for 02 programmes under 17 functions according to the Annual Action Plan, the performance could not have been confirmed as expected due to the performance indicator of the said activities had not been mentioned.

### 2.3 **Assets Management**

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The following observations are made.

#### (a) **Utilization of Vehicles**

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Thirty vehicles were owned by the Ministry at the end of the year under review and a sum aggregating Rs.18,108,295 had been spent as Rs.9,219,869 and Rs.8,888,426 respectively for fuel and maintenance expenses respectively. As reports not prepared in terms of Paragraph 3.3 of the Public Administration Circular No.30/2016 dated 29

December 2016, the running distance and the expenses incurred for 01 kilometre could not be confirmed.

(b) **Under- utilized Assets**

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Even though the number of vehicles existed under the pool of the Ministry was 15, the number of drivers deployed for the duties of the pool was 4. Therefore ,the vehicles belonging to the pool were existed underutilized. The vehicles abandoned due to the matters such as the vehicles purchased for the Minister, the Secretary and the officers were in an old condition, high fuel combustion and the abolition of the posts of Deputy Minister and the staff caused to increase the number of pooled vehicles.

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

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A jeep belonging to the Ministry of Finance had been used by the Ministry of Posts in the year 2014 and the said vehicle met with an accident on 09 February 2014 and it had been parked without used at the Court in Mount Lavinia more than 04 years from that date to up to date.

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

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The Board of Survey of the year 2017 had been carried out in terms of the Public Finance Circular No.05/2016 dated 31 March 2016 . Nevertheless, the disposal activities had not been completed by August 2018.

2.4 **Losses and Damage**

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The following observations are made in this connection.

- (a) According to the Financial Regulation 104(3) , it was mentioned that the preliminary report should be sent immediately ,if a delay of more than seven days is envisaged .However, the preliminary report for the accidents occurred in 10 instances had been submitted by delaying 14 days to 08 months period.
- (b) According to the Financial Regulation 104(4), after inquiry ,the full report should be submitted within three months from the date of loss. Nevertheless, there were 10 instances which the reports submitted by delaying 02 months to 29 months period in respect of vehicle accidents. It was observed that the reason for these delays is the accident had not been informed immediately after the accident occurred.

- (c) Action had been taken to write off by Financial Regulation 109, if having a saving after receiving money from insurance without taking legal actions against him as an external party is responsible for the accident. A sum amounting to Rs.499,037 had obtained from the insurance of the vehicle of the Ministry in 06 instances which the external party is responsible for the accident and a sum amounting to Rs.73,547 had been written off

## 2.5 Management Weaknesses

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### 2.5.1 Examination of the Operation of the Post Office Network

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The following weaknesses observed during the course of audit test checks.

- (a) Public services had been supplied under various aspects from the year 2010 by networking the post offices and the quantity of said service categories had been increased up to 25 by February 2018. It was observed at the test checks carried out in respect of the post offices of the Department of Posts and the following deficiencies existed in the network in the supply of public services.
- (i) Even though 10 web numbers had been introduced for the entering of the service system, only 03 numbers out of that could have been used by 10 July 2018. It had been reported that action taken to use only 03 web addresses according to the instructions of the CERT Institution on the slow condition occurred in the software.
- (ii) It was observed that an unusual time delay occurred for reaching the next step after entering of the name and pass word for the entering of the system and supply of services to the consumers . Similarly, the time delay of the system existed around 3 p.m and a rapid service could not be supplied for the consumers who came for billing.
- (iii) Even though the system created for the supply of rapid service to the public by spending a large amount of money , it was observed that the ability to fulfil the rapid service expected by the public could not be done in the supply of service by the system. However, it was observed that the Ministry had not carried out a follow up and supervision relating to that.
- (iv) Even though it is informed that so as to submit the details on total income of all income fields and the number of transactions collected by using the network system up to 31 December of the year 2017 and within first 06 months of the year 2018, the details on income collected from 17 services out of 25 services carried out presently had been presented to the audit. Accordingly, it was observed that obtaining reports through the network system was difficult.
- (v) In the comparison of the balance of the commission income collected within the period from January to December 2017 with the balances shown in the Revenue Account of the year 2017, a different as Rs.15,839,546 ,Rs.717,616 and Rs.2,395 between electricity

bills, water bills and E-channelling service respectively existed. Accordingly, it was observed that an ability to obtain correct information through the system was not available.

### 2.5.2 **Dispose of Vehicles**

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In the omission of the value of the vehicles disposed in the year under review from the Account, its cost should be removed . However, the sale value amounted to Rs.10,553,298 of 06 vehicles disposed by the Ministry had been removed from the account.

### 2.5.3 **Vehicle Accidents**

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The following observations are made.

- (a) Even though a motor vehicle attached to the Co-ordinating Secretary to the Ministry had been met with accidents in two instances in the year 2015 , repairing had not been carried out even up to the year 2017.
- (b) Even though the said vehicle again met with an accident on 13 November 2017 , the report of the Financial Regulation 104(3) for the accident had been submitted on 20 January 2018 , after a delay of two months. The report on Financial Regulation 104(4) had not been submitted even up to 18 July 2018.

## 2.6 **Preparation of the Implementation of the Sustainable Development Goals**

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Although all Government Institution should act in accordance with the Agenda 2030 on the Sustainable Development of the United Nations , information on 04 objectives identified by the Department of Posts had been referred by the Ministry of Posts, Postal Services and Muslim Religious Affairs .However, the following deficiencies were observed according to the information presented by the Department of Posts.

- (a) The sustainable goals and target and the turning points to be achieved those objectives , the indicators for the measuring of reach the targets relating to the functions of the Department of Posts should be properly identified. However, as the entire 17 sustainable development goals had been shown as the sustainable development goals of the Department of Posts, the goals relating to the Department of Posts had not been identified.

- (b) Even though supply of accurate data base is essential for the measuring of performance, the Department had not taken action to make an accurate data base for the measuring of reaching the Sustainable Development Goals.
- (c) Attention had not been paid on the Sustainable Development Goals of the Department of Muslim Religious Affairs and Cultural Affairs which is the other Department under the Ministry.

## 2.7 Utilization of Provisions authorized by Parliament to Perform Activities

Information on provisions made for the Ministry during the period of 05 years ended 31 December 2017 ,utilization and savings thereof and audit observations relating to that are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
		Rs. millions	Rs. millions	Rs. millions	
2013	Recurrent	88.93	84.34	4.59	5.2
	Capital	175.05	133.60	41.45	23.7
	<b>Total</b>	<b>263.98</b>	<b>217.94</b>	<b>46.04</b>	<b>17.4</b>
2014	Recurrent	112.70	103.82	8.88	7.9
	Capital	246.30	204.09	42.21	17.1
	<b>Total</b>	<b>359</b>	<b>307.91</b>	<b>51.09</b>	<b>14.2</b>
2015	Recurrent	101.70	98.64	3.06	3.0
	Capital	29.20	29.09	0.11	0.4
	<b>Total</b>	<b>130.90</b>	<b>127.73</b>	<b>3.17</b>	<b>2.4</b>
2016	Recurrent	128.43	122.64	5.79	4.5
	Capital	415.30	257.52	157.78	38.0
	<b>Total</b>	<b>543.73</b>	<b>380.16</b>	<b>163.57</b>	<b>30.0</b>
2017	Recurrent	122.40	116.72	5.68	4.6
	Capital	176.17	160.19	15.98	9.0
	<b>Total</b>	<b>298.57</b>	<b>276.91</b>	<b>21.66</b>	<b>7.3</b>

The following observations are made in this connection



(a) **Preparation of Budget Estimates**

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As the Budget Estimate prepared for making provisions required for the execution of the duties relating to the Ministry had not been prepared realistically, a sum of Rs.15.41 million obtained from the allocation of Supplementary Estimates also had been saved.

(b) **Appropriation Account**

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The following observations are made.

(I) **Non-utilization of the Provision Provided**

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The estimated sum amounted to Rs.200,000 relevant to the plant and machinery Object of 108-1-1-2002 had been totally saved.

(II) **Excess Provisions Made**

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Excess provisions totalling Rs.59.80 million had been made for 08 Objects and as such the savings, after the utilization of provisions totalling Rs.43.62 million, ranged between 12 per cent to 44 per cent of the net provisions relating to the respective Objects.

2.8 **Advances to Public Officers Account**

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**Limits authorized by Parliament**  
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The limits authorized by Parliament for the Advances to Public Officers Account, Item No.108011/108012 of the Ministry and the actual amounts are given below

<b>Expenditure</b>		<b>Receipts</b>		<b>Debit Balance</b>	
<b>Maximum Limit</b>	<b>Actual</b>	<b>Minimum Limit</b>	<b>Actual</b>	<b>Maximum Limit</b>	<b>Actual</b>
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Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
6.00	4.50	2.00	2.80	26.00	12.50

In terms of Paragraph 3.7 of Chapter xxiv of the Establishments Code, recovery should commenced from the month immediately following the month in which the loan is granted. However, action had not been taken to recover accordingly.

## 2.9 Imprest Account

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The balances of 01 Imprest Account by 31 December 2017 under the Ministry totalled to Rs.374,490. The following observations are made in respect of Imprest Accounts conducted by the Ministry .

- (a) An imprest amounted to Rs.350,000 issued to an officer 21 months before by 31 December 2017 had not been settled even by May 2018. Although it had been informed to the relevant Institution that the said amount of Rs.350,000 which had been paid to the Bandaranayake Memorial International Conference Hall for the conduct of an international conference organized by the Prime Minister's Office and would be returned back as the said ceremony not conducted. However, the Governing Board of the Bandaranayake Memorial International Conference Hall had informed that the said money could not be re-imbursed and other service could be supplied instead of that.
- (b) According to the imprest estimates prepared by the Ministry for the year under review , the details on the imprests expected to be obtained monthly, imprests required monthly and the imprests received are given below.

Month	The Imprest to be required as Planned	The Imprest Required	The Imprest Received	Difference between the imprest required Planned	Difference between the imprest required and Received
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	Rs.millions	Rs.millions	Rs.millions	Rs.millions	Rs.millions
January	11.79	11.79	11.56	0	0.23
February	11	14.28	13.22	(3.28)	1.06
March	11.1	11.48	9.98	(0.38)	1.5
April	12.86	54.63	22.22	(41.77)	32.41
May	12.17	33.27	76.37	(21.1)	(43.1)
June	12.17	12.47	10.21	(0.3)	2.26
July	12.61	22.71	12.93	(10.1)	9.78
August	12.61	55.21	32.48	(42.6)	22.73
September	12.65	12.76	9.42	(0.11)	3.34
October	12.61	12.63	13.61	(0.02)	(0.98)

November	12.62	12.63	13.09	(0.01)	(0.46)
December	12.62	57.77	26.72	(45.15)	31.05
Total	146.81	311.63	251.81	(164.82)	59.82

The following observations are made in this connection.

- (i) Imprest amounting to Rs.164.82 million had been requested in the year under review more than the amount planned and obtaining of additional provisions had been caused for that.
- (ii) A sum of Rs.59.82 million had not been received from the imprest requested and a sum amounting to Rs.31.05 million out of that for the month of December 2017.

## 2.10 Non-maintenance of Registers and Books

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It was observed at audit test check that the certain registered had not been maintained properly and in an up dated manner.

<b>Type of Register</b>	<b>Relevant Regulation</b>	<b>Observations</b>
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(a) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978	Had not been maintained in an up dated manner
(b) Register of Computer, Computer Accessories	Treasury Circular No.IAI/2002/2 dated 28 November 2002	Had not been maintained in an up dated manner
(c) Record of Losses	Financial Regulation 110	Had not been maintained in an up dated manner
(d) Vote Ledger	Financial Regulation 447	Had not been maintained in an up dated manner
(e) Security Register	Financial Regulation 891(1)	Had not been maintained.

## 2.11 Human Resources Management

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### 2.11.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

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The particulars relating to the approved cadre, actual cadre, vacancies and the excess cadre for the execution of the duties of the Posts, Postal Services and Muslim Religious Affairs as at 31 December 2017 are given below. The Ministry had incurred a sum of Rs.23,555,574 for the personal emoluments for the year under review. Accordingly, the per capita expenditure had been Rs.258,852.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
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(i)	Senior Level	15	13	02
(ii)	Tertiary Level	04	02	02
(iii)	Secondary Level	61	47	14
(iv)	Primary Level	30	25	05
(v)	Casual/Contract	05	04	01
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	<b>Total</b>	<b>115</b>	<b>91</b>	<b>24</b>
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Even though 24 vacancies existed, the said number had not been recruited.

## 2.12 Security of Public Officers

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In terms of Financial Regulations 880(1), officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores, or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the Public Officers (Security) Ordinance (Cap 612) for the faithful discharge of their duties. However, it had not been so done.