

Report of the Auditor General on Head 16 –Sri Lanka Parliament – 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 Sri Lanka Parliament. 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

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 Sri Lanka Parliament – Head 16 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 General of Parliament on 26 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 Sri Lanka Parliament 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 2.11 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.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance of the Chief Accounting Officer to the Provision	Reference to the Paragraph of the report Containing Observations
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Financial Regulations		

127 (1) (a)	Planning the financial work so that the business is transacted with correctness and financial propriety.	1. Failure to include Imprest Requirement Plan in the Action Plan. 2.1.3 2. Deficiencies in planning procurement activities. 2.2.1
127 (1) (b)	A system should be evolved providing adequate controls over expenditure and the collection of revenues.	1. Failure to update books and registers. 2.9 and 2.10 2. Unresolved audit paragraphs. 2.6 3. Deficiencies in training staff. 2.11
127 (2)	Existing items of expenditure , as well as proposals for new or increased expenditure in the Department under his control, are closely examined in the Ministry from the point of	1. Participation of Hon. Parliamentarians in Parliament sessions. 2.1.1 2. Non-presentation of information for the 2.1.2

	view of economy and efficiency.	and evaluation of performance.	
		3. Failure to prepare progress reports in accordance with the Action Plan.	2.1.4
		4. Deficiencies in the procurement process.	2.2.2
127 (4)	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. Incurring commitments exceeding the limit of provisions.	2.4
		2. Making overprovision	2.7 (a)
		3. Non-utilization of provisions	2.7 (b)
127 (6)	Collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	Deficiencies regarding the recovery of outstanding loan balances of the Government officers.	2.8 (a)
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).	Responsibility on the damages	2.5

2. Material and Significant Audit Observation

2.1 Performance

2.1.1 Performance

Plans had been drawn to conduct 95 sessions of the 8th Parliament from 01 January to 31 December 2017 and more than 150 members of 225 honourable parliamentarians had attended 43 sessions of the above 95 parliamentary sessions. The number of honourable

parliamentarians participated in 52 parliament sessions remained less than 150 members. Further, only 04 sessions had been conducted with the participation of more than 200 parliamentarians.

2.1.2 Functions of the Engineering Division

Although there is an Engineering Division for the activities of Parliament, that Division had not maintained the data required for the evaluation of its performance. Accordingly, there observed a large number of deficiencies such as failure to maintain written duty assignments of the Technical Officers attached to that Division, failure to maintain records on the activities carried out by the officers of the Engineering Division with the use of items obtained from the Stores, failure in properly maintaining movement register at the Engineering Division to establish as to what purpose the officers daily leave out of the Division and failure to maintain information with regard to the manner in which the items issued by the Stores for the additional duties of the Technical Officers attached to the C.C.T.V. Division and the Speaker's Office had been used.

2.1.3 Planning

Although an Action Plan had been prepared for the year 2017, the Imprest Requirement Plan relating to the annual activities had not been included therein.

2.1.4 Preparation of Progress Report

Since the progress reports had not been prepared in accordance with the Action Plan, progress could not be evaluated according to the Action Plan.

2.2 Obtaining Supplies and Services through Procurement Process

2.2.1 Procurement Planning

The following observations are made.

- (a) Parliament had not prepared the Master Procurement Plan inclusive of expected procurement activities for a period of 03 years as required by Guideline 4.2.1 of the Government Procurement Guidelines.
- (b) Although a Procurement Plan proposed for the year 2017 had been prepared, it had not been prepared in accordance with the National Budget Circular No.128 dated 24 March 2006.
- (c) The total provision made for the Objects of stationery and office requisites and foods and uniforms amounted to Rs.150 million and the entire provision had been utilized during the year under review. Nevertheless, the procurement activities relevant thereto had not been included in the Annual Procurement Plan.

- (d) Since Parliament had not prepared Procurement Time Schedules in terms of Guidelines 4.2.2 and 4.2.3 of the Government Procurement Guidelines, adequate evidence had not been furnished to audit to establish that the procurements had been carried out within the due time frame while conducting Procurement Committees in terms of Guidelines 2.11.1 (b) and (c) of the Government Procurement Guidelines.

2.2.2 Implementation of the Procurement Process

The following observations are made in this connection.

- (a) For the purpose of supplying, installing, testing and operating a CCTV camera system with broadcasting capacity in the chamber of Parliament, provisions aggregating Rs.660 million comprising Rs.500 million and Rs.160 million had been made in the years 2016 and 2017 respectively under the Object of Capital Assets Rehabilitation and Improvement- Building and Constructions included in the Annual Budget Estimates. Out of the above provisions, sums totaling Rs.228 million comprising Rs.106 million and Rs.122 million had been spent in the years 2016 and 2017 respectively relating to the above purpose. Following observations are made in this connection.
- (i) A total cost estimate had not been prepared for the said procurement as required by Guideline 4.3 of the Government Procurement Guidelines.
- (ii) In terms of Guidelines 2.14.1 and 2.8.2 of the Government Procurement Guidelines, the procurement activities relating to this procurement, the estimated cost of which exceeded Rs.200 million should have been carried out by a Procurement Committee and a Technical Evaluation Committee appointed by the Cabinet. Nevertheless, without being taken action accordingly, procurement activities such as calling for bids and opening of bids, evaluation of technical proposals and making recommendations, evaluation of bidding documents, rejection of one bid and opening of the financial proposals of the remaining two institutions had been done by a Procurement Committee appointed by the Ministry. Nevertheless, it had been informed by the Letter No.PFD/PMD/03/97 dated 23 July 2016 of the Director General of Public Finance that since the cost of this procurement exceeds Rs.200 million, relevant procurement could not be continued by already appointed Procurement Committee of the Ministry to obtain necessary recommendations. Accordingly, the Cabinet had appointed a Procurement Committee on 30 August 2016 and that Committee had implemented the above decisions given by the Procurement Committee of the Ministry without effecting any changes.
- (iii) Sums totaling Rs. 8.375 million and Rs.575,000 had been paid respectively for the purchase of 120 LED Televisions and installation of those televisions as at 05 February 2017 by certifying that the contract was completed. Albeit, 29 Wall Brackets Televisions out of the above televisions had not been installed as at that date.

- (iv) From among the 124 LED Televisions relating to which the Procurement Committee had granted approval to make the relevant purchase, there had been installed some televisions which were not in conformity with the specifications. Nevertheless, in the certification of those items by the Officer in Charge, the discrepancies observed in the specifications had not been stated as per the Guideline 8.12.3 of the Government Procurement Guidelines.
- (v) It had been specified according to the terms and conditions of the bidding documents that 75 per cent of the contract value may be paid only if the General Secretary of Parliament satisfies with the system subsequent to their supply, installation and handing over to Parliament. The mobilization advance of Rs.17,458,723 or 20 per cent of the contact value had been paid to the contractor on 30 December 2016. Nevertheless, contrary to the prescribed provisions, a sum of Rs.21,701,519 as 75 per cent of the value of supply items of the site had been paid to the contractor on that day itself by a separate voucher before the commencement of the work.
- (vi) It had been stipulated according to the terms and conditions of the bidding documents that the contractor would carry out maintenance activities up to 03 years from the installation of the system, free of charge. Nevertheless, an agreement had not been entered into with the contractor in connection with possible maintenance activities and annual servicing after the lapse of above period of 03 year.
- (vii) In pursuance of the terms of the bid, the installation of this system should be carried out only from 9 a.m to 16.45 p.m. on week days. However, it was observed according to the documents that 14 days including weekends and nights had been used for this purpose. Notwithstanding the above fact, a request had been made seeking extension of the period of contract giving explanations for their failure to attend to the work during weekends and nights and the Chief Coordinating Engineer had approved the request without conducting a formal inquiry.
- (viii) Although the activities relating to this system had not been completed, the officers of the Engineering Division had certified that the activities of the system were completed. Therefore, it was not possible to recover 5 per cent penalty for delays amounting to Rs.11.4 million which could have been recovered from the contractor.
- (ix) The bidder and the agreement had not been presented and registered with the Registrar of Public Contract in terms of Section 2.8 and 12 of the Public Contract Act, No.03 of 1987. Further, any transaction regarding the relevant contract shall not be carried out with the contractors who do not produce a certificate to confirm the above registration. Nevertheless, action had not been taken according to those provisions in connection with this contract.

- (b) Six busses had been purchased at a cost of Rs.67.51 million for the transport requirements of Parliament by calling for bids in 03 instances in the years 2016 and 2017. The following observations are made in this connection.
- (i) A total cost estimate had not been prepared relating to this procurement as required by Guideline 4.3 of the Government Procurement Guidelines. The bids evaluation summary report, too, had not been prepared in accordance with Guideline 2.11.3 of the Government Procurement Guidelines. Similarly, the members of the Procurement Committees had not duly signed the declarations in terms of Procurement Guidelines and the standard bidding documents, as well, had not been prepared. Proper instructions on the bid securities had not been given to the bidders in pursuance of Guideline 5.3.13 of the Government Procurement Guidelines and as such, the bids presented by the bidders along with different bid securities ,too, had to be evaluated.
 - (ii) Bids had been evaluated contrary to the objectives specified in Guideline 1.2 of the Government Procurement Guidelines and after being conducted physical inspection on the relevant busses, action had been taken to call for bids and specifications again from one bidder for air-conditioned double doors busses with 50 seats. Nevertheless, due to lack of stocks with the relevant bidder, bids invitations had been sent to 09 institutions by re-calling for bids.
 - (iii) In the evaluation of bids, the Technical Evaluation Committee and the Procurement Committee had taken into account the prices inclusive of taxes quoted in the bids in the three instances of procurements contrary to the provisions in the Guideline 5.3.18 of the Government Procurement Guidelines. Therefore, in the evaluation of bids of the 1st instance of procurement, the Technical Evaluation Committee had erroneously recognized the minimum bid of Rs.15,467,544 exclusive of tax as the second minimum bid and minimum bid of Rs.16,650,000 inclusive of tax as the minimum bid.
 - (iv) Busses had not been physically examined and the catalogues of these busses only had been compared with the prescribed specifications . According to that information, those bids had also been rejected stating that the specifications of the busses were unsatisfactory and they did not fit to meet the transport requirements of the foreign agents who visit Parliament. On 8th May 2017, the Procurement Committee had decided to re-call for fresh bids for the purchase of 02 air-conditioned busses.
 - (v) The contract agreement signed with the relevant institutions in the first and second procurement instances totaling Rs.23,089,266 and Rs.15,525,000 respectively had not been prepared according to the Standard Agreement Formats appeared in the Guidelines 8.9.1 (b) and 8.9.3 of the Government Procurement Guidelines and the register No. NPA/Goods/SDB 01. Similarly, the bidder and the agreement relating to this contract had not been presented and registered with the Registrar of General Contracts and a certificate had not been obtained confirming the registration.
- (c) For the purpose of providing uniforms for the Parliamentary staff, a sum of Rs.2.98 million had been spent. The following observations are made in connection with that procurement.

- (i) Attention had not been drawn on the Procurement Time Schedule according to Guideline 2.5 (b) of the Government Procurement Guidelines in relation to this procurement.
- (ii) In the purchase of uniform materials, the number of employees who were entitled to uniforms had not been accurately recognized at the beginning of the procurement in order to determine the required quantity of uniform materials.
- (iii) Uniform materials had been supplied after a delay of 05 months from placing order. Accordingly, penalty for delays amounting to Rs.63,604 should have been recovered from the contractor in terms of conditions stated in the bidding documents, whereas penalty for delays had not been so recovered.
- (iv) Hundred and fifty one staff members had not obtained uniforms during the period of 04 years from 2014 to 2017 and the expenditure incurred thereon had become fruitless.

2.3 Assets Management

The following deficiencies were observed during the course of audit test check carried out on the assets of Parliament.

- (a) Information System and 05 In-house applications introduced by the Management Department as an internal control system had not been set in motion even by 31 December 2017.
- (b) Fuel consumption test of 28 motor vehicles had not been carried out as required by Public Administration Circular No.30/2016 dated 29 December 2016.
- (c) Due to the reasons such as purchase of tyres without properly preparing estimates, failure in properly storing , placing orders based on the quantity of tyres ordered in the preceding years without being considered the available stock and failure to properly dispose of the stock caught to the flood caused in the year 2012, about 385 tyres, 344 tubes and 51 rims had been retained in the Stores as at 17 August 2017. Due to lack of vehicles in Parliament for which those tyres could be used ,127 unused tyres, 302 tubes and 17 rims had been disposed of. As the computer software introduced for the Stores of the Supply Division had not been used up to the year 2017 and values had not been stated in the stock books relating to the tyres, value of the above stock of tyres, tubes and rims could not be computed.
- (d) Even though the period of guarantee of 258 tyres recommended for motor vehicles of Parliament had expired by 17 August 2017, those had been retained in the Stores without being used for the vehicles.
- (e) The Laptop bearing No. MP Envy 13 Care 17 worth Rs.267,900 belonging to the Master Clock System that should be available in the telecommunication exchange room could not be found therein at the physical inspection carried out on 16 March 2018.

- (f) About 3,871 units of spare parts in 201 categories used for the repairs of 12 electric elevators installed in Parliament could remained in the Stores of the Engineering Division. Since the elevator servicing institute gets spare parts from the Stores of the Engineering Division and reimburses them subsequently, the opening stock of the spare parts remained unchanged even by 04 July 2018.

2.4 Commitments and Liabilities

The following observations are made.

- (a) Without being complied with the provisions in the Financial Regulation 94 (1), commitments of Rs.7.54 million had been incurred exceeding the savings after the utilization of provisions made for 09 Objects.
- (b) Liabilities totaling Rs.602,107 as at 31 December 2017 had not been disclosed by Appropriation Account.

2.5 Liability on Damages

Losses and damages totaling Rs.3.18 million had caused to the vehicles belong to Parliament in 11 instances during the year under review. Nevertheless, action had not been taken to recover those losses and damages from the responsible parties or eliminate them from the books in terms of Financial Regulations 104 or 109 even by the end of the year under review.

2.6 Unresolved Audit Paragraphs

Reference to the paragraphs which had not been corrected out of the paragraphs containing deficiencies pointed out in the Auditor General's Report pertaining to Parliament.

<u>Reference to the Audit</u>		<u>Subject Referred</u>
<u>Paragraph</u>	<u>Paragraph No.</u>	
<u>Year</u>		
2015	3.2 (a)	Particulars on the approved scheme of recruitment and scheme of promotion had not been furnished to Audit.
2015	5.3 (a) (v)	Restructuring of the institute had not been implemented without delay in terms of Letter No. DMS/C/4/P/01 dated 02 May 2008 of the Director General of the Department of Management Services and instructions of the Public Administration Circular No.06/2006
2013	1.6 (a) (i)	Without being obtained approval of the Cabinet, 10 salary increments had been granted to the

Parliament Staff in addition to the annual salary increment.

2.7 Utilization of Provisions made by Parliament to execute Activities

The particulars relating to the provisions made to Parliament and utilisation and savings for year ended 31 December 2017 are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of the net provision
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		Rs.Millions	Rs.Millions	Rs.Millions	
2016	Recurrent	1,857	1,816	41	2.21
	Capital	580	336	244	42.06
	Total	2,437	2,152	285	11.69
2017	Recurrent	2,482	2,444	38	1.53
	Capital	523	398	125	23.90
	Total	3,005	2,842	163	5.42

Following observations are made on the provisions made for the year under review and the utilization of those provisions.

- (a) As overprovision had been made for 17 Objects, savings after the utilization of provisions made for those Objects had ranged from 10 per cent to 78 per cent of the net provision.
- (b) Even though provisions of Rs.100 million had been obtained under the supplementary estimate allocations for renovating Sectoral Committees including Parliament, the entire provisions had been saved without being utilized for any purpose even by the end of the year under review.

2.8. Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account under the Item No. 01601 of Parliament, 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. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
39.00	38.43	30.00	31.31	175.00	130.57

The following observations are made in this connection.

- (a) According to the reconciliation statement as at 31 December 2017 presented to audit, the outstanding balances excluding loan balances of the officers left on transfers as at that date totalled Rs.1,883,013. Although those outstanding balances had continued to exist over a period from 01 year to 22 years, Parliament had failed to recover such outstanding balances even by the end of the year under review.
- (b) A difference of Rs.50,147 was observed between the Advance Control Account and the Individual Balances Classification Summary as at 31 December 2017.

2.9 General Deposit Account

The balances of 03 General Deposit Accounts under Parliament as at 31 December 2017 totalled Rs.7.73 million. Out of which, the balance of General Deposit bearing No.6000/000/00/0016/0040/000 amounted to Rs.1,820,001. Nevertheless, a General Deposit Register had not been maintained thereon.

2.10 Non-maintenance of Registers and Books

It was observed at the audit test check that Parliament had not properly maintained the following documents in an updated manner.

Type of Register	Relevant Regulations
(i) Inventory Book	Financial Regulation 454 (1)
(ii) Motor Vehicles List	Financial Regulation 1645 and 1647 (e)
(iii) Register of Fixed Assets on Computers, Accessories and software.	Treasury Circular No.IAI/2002/02 dated 28 November 2002.

2.11 Human Resources Management

Approved Cadre ,Actual Cadre and Expenditure on Personal Emoluments

The details on the approved cadre, actual cadre, vacancies and the staff in excess as at 31 December 2017 are as follows and Parliament had spent Rs.1,063.65 million for the personal emolument category during the year under review.

Category of employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	75	73	02
(ii) Tertiary Level	163	148	15
(iii) Secondary Level	253	220	33
(iv) Primary Level	518	494	24
(v) Casual/ Contract Temporary basis	6	5	01
Total	1,015	940	75

Plans had been prepared to train 487 of 843 Parliamentary staff during the year under review and 470 of the above officers had been trained spending Rs.3,285,719.