

## **Head 19 - Report of the Auditor General on the Office of the Leader of the Opposition of Parliament - 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 Office of the Leader of the Opposition of Parliament. The financial and physical performance reflected by the said account 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 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 Office of the Leader of the Opposition of Parliament – Head 19 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 of the Office on 22 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 Office of the Leader of the Opposition of Parliament for the year ended 31 December 2017 revealed in audit, appear in the Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of those observations appear from paragraphs 2.1 to 2.10 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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127(1)(a) All financial work should be planned so as to ensure the business is transacted with correctness and financial propriety. (that is to say, the business must be transacted in accordance not merely with the financial and departmental orders but also with the high standards of integrity expected in the transaction of public business;)	1. The Action Plan had not been correctly prepared. 2. Inadequate planning of procurement activities 3. Non-maintenance of Registers and Books	2.1  2.2.1  2.8
127(1)(b) A system which provides adequate controls over expenditure and the collection of revenue should be evolved.	1. Management deficiencies 2. Unresolved Audit paragraphs 3. Non-compliances 4. Deficiencies in Management of Human Resources	2.5  2.4  2.9 2.10
127(2) Existing Items of Expenditure, as	Deficiencies in	2.2.2

well as proposals for new or implementing the increased expenditure in the procurement process departments under his control, are closely examined in the Ministry from the points of view of economy and efficiency.

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|--------|--|---|--------|
| 127(3) | That all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them.        | Deficiencies in utilization of motor vehicles       | 2.3(b) |
| 127(5) | That, important variations between departmental Estimates and expenditure receive critical examination at the Ministry.                                | Excess provisions                                   | 2.6(a) |
| 127(6) | That the collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry. | Deficiencies in Advances to Public Officers Account | 2.7    |

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

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### **2.1 Performance**

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#### **2.1.1 Planning**

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The Action Plan had been prepared for the year 2017 in terms of the Public Finance Circular No.01/2014 of 17 February 2014. Accordingly, there had been 33 key functions to be performed by the Office in the year under review and the following shortcomings were observed relating to the Action Plan prepared for achieving the anticipated outcome.

- (a) Details on organizational structure, approved cadre and staff employed as at present, updated for the year under review, had not been included.
- (b) Even though the Imprest Requirement Plan for annual activities had been prepared and submitted to the Treasury, it had not been included in the Action Plan.

## **2.2 Obtaining Supplies and Services through Procurement Process**

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### **2.2.1 Planning of Procurement**

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Provisions of Rs.42.83 million had been made in the year under review for the Office for obtaining supplies and services through the procurement process and out of that, provisions of Rs.42.52 million had been utilized. All procurements had not been included and a Procurement Time Schedules had not been prepared.

### **2.2.2 Implementation of Procurement**

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(a) The following matters were observed on 29 December 2017 relating to the procurement of 05 computers valued at a total of Rs.808,348.

- (i) Five computers had been purchased without identifying the requirement of Office No.30 and the said Office had used only 03 computers out of them. According to the assignment of financial authority, the approval of the Secretary should be obtained for purchases exceeding Rs.500,000. However, it had not been so done.
- (ii) Action had not been taken in terms of Guidelines 4.3, 5.2, 5.3.1, 5.3.3, 5.3.10, 5.4.10, 8.9.1(b) and 8.9.3 of the Government Procurement Guidelines and Procurement Guideline References 5.4.8, 6.3.6 and 8.9.3 of the Procurement Manual and in accordance with provisions mentioned in the Standard Bidding Document No. NPA/SBD/GOODS/01.

(b) The following matters were observed relating to the procurement of installing 04 air conditioners valued at Rs.978,061 for the Administration Division.

- (i) Action had not been taken in terms of Guidelines 5.3.1, 5.3.10, 5.4.10, 6.3.3 and 7.11.1 of the Government Procurement Guidelines and in accordance with provisions mentioned in the Standard Bidding Document No. NPA/SBD/GOODS/01.
- (ii) In the evaluation of Bids, the maintenance cost thereof had not been taken into consideration by the Technical Evaluation Committee and the Procurement Committee and information on the maintenance of machinery had not been included in the contract agreement.
- (iii) The Procurement Entity had entered into a contract agreement on the requirement of the selected bidder for the procurement and the ability of supplying goods contrary to terms and conditions of Bidding Documents and Guideline 5.3.1(d) of the Government Procurement Guidelines.

### **(c) Purchase of Household Furniture and Office Equipment**

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- (i) In the procurement of goods valued at Rs.193,471 by Voucher No.401, action had not been taken in terms of Guidelines 5.1, 5.2, 5.3.2 and 3.4.2 (a) of the Government Procurement Guidelines.
- (ii) In the procurement of goods valued at Rs.348,475 carried out by Voucher No.612, action had not been taken in terms of Guidelines 5.3.1, 5.3.10 and 7.11.1 and Procurement Guideline Reference 7.11.1 of the Procurement Manual and in accordance with provisions in the Standard Bidding Document No. NPA/SBD/GOODS/01.
- (iii) Procurements totalling Rs.216,437 had been carried out during the year under review contrary to Guideline 1.3.2. of the Government Procurement Guidelines and without adhering to the Procurement Guidelines.
- (iv) In carrying out procurements totalling Rs.1,223,212, action had not been taken in terms of Guidelines 3.4.2 (a), 5.3.10 (a), 6.3.1 (a), (b) and 6.3.3 in terms of provisions mentioned in Procurement Guideline References 6.3.3 and 6.3.6 of the Procurement Manual.

### **2.3 Assets Management**

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The following deficiencies were revealed during the course of audit test checks carried out relating to assets of the Office.

- (a) In terms of instructions of Circular No.01/2017 of 28 June 2017 and Annexure VIII in respect of assets management, only motor vehicles and office buildings had been identified and classified under correct Code Numbers. Identifying and coding of other non-current assets had not been carried out in terms of instructions of the said Circular.

#### **(b) Utilization of Motor Vehicles**

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In terms of paragraph 3.1 of Public Administration Circular No.30/2016 of 29 December 2016, information had not been made available to Audit whether the fuel consumption test had been carried out relating to motor vehicles belonging to the Office.

### **2.4 Unresolved Audit Paragraphs**

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Reference to paragraphs uncorrected by the Office relating to deficits pointed out by Audit paragraphs included in the reports of the Auditor General on the Office, is given below.

**Reference to the Report  
of the Auditor General**

**Subject referred**

<b>Year</b>	<b>Paragraph Number</b>	
2013	1.6 (d)(ii)	The finger print machine had not been made use of in the confirmation of arrival and departure.
2015	3.4 (b)	
2013	1.6(g)	Action had not been taken in terms of provisions in the Government Procurement Guidelines relating to procurements.
2014	1.8	
2015	3.5	
2015	3.4(b)	Instead of confirming the time, based for allowances paid after prescribed duty hours, by the finger print machine, payments on transport allowances of Rs.1,648,875 and overtime and holiday pay amounting to Rs.475,382 had been made based on the Attendance Register.

**2.5 Management Weaknesses**

The following weaknesses were observed during the course of Audit test checks.

- (a) Tyres, batteries and spare parts removed from motor vehicles had been kept in the No.30 Office without being auctioned.
- (b) Instead of confirming the time based for payment of allowances after normal duty hours by the finger print machine, payments totalling Rs.3,232,947 comprising of transport allowances of Rs.1,671,799 and overtime and holiday pay amounting to Rs.597,020 for 67 days on which Parliament meetings had ended after 6.30 p.m. during the year under review, based on the Attendance Register and payment of Rs.964,128 for leave unavailed in the year 2017.

**2.6 Utilization of Provisions made available by Parliament for Performance of Functions**

Details on provisions made for the Office for the year ended 31 December 2017 and the preceding year, utilization and savings thereof and audit observations thereon appear below.

<b>Year</b>	<b>Category of Expenditure</b>	<b>Net Provision</b>	<b>Utilization</b>	<b>Savings</b>	<b>Savings as a Percentage of Net Provisions</b>
		<b>Rs.Millions</b>	<b>Rs.Millions</b>	<b>Rs.Millions</b>	
2016	Recurrent	84.79	53.30	31.49	37.13

	Capital	49.33	4.61	44.72	90.65
	<b>Total</b>	<b>134.12</b>	<b>57.91</b>	<b>76.21</b>	<b>56.82</b>
2017	Recurrent	77.98	62.69	15.29	19.60
	Capital	86.58	77.76	8.82	10.18
	<b>Total</b>	<b>164.56</b>	<b>140.45</b>	<b>24.11</b>	<b>14.65</b>

**(a) Appropriation Account**

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**Excess Provisions**  
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Excess provisions of Rs.4.45 million had been made for 04 Recurrent Objects and 02 Capital Objects and as such the savings, after the utilization of provisions totalling Rs.1.19 million ranged between 51 per cent and 94 per cent of the net provisions relating to those Objects.

- (b) A difference of Rs.187,508,660 was observed between the opening balance of the report on movement of non-current assets in the Appropriation Account of the year under review and the closing balance of the preceding year. The Office had stated that this difference occurred as a result of the problems arisen in identifying certain non-current assets brought to account in previous years in updating the Register of Fixed Assets. However, the information relating thereto had not been reported to Audit and proper approval had not been obtained from relevant institutions, before eliminating them from accounts.
- (c) Except for improvement of motor vehicles and development of lands, only the cost of non-current assets totalling Rs.40,019,363 purchased in the year 2014 had been recorded in the Report on Movement of Non-current Assets in the Appropriation Account and the Register of Fixed Assets. Moreover, the cost of assets purchased by the Office between years 2004 and 2014, had not been reported.
- (d) The Title Deed of the land valued at Rs.206.34 million shown in the Appropriation Account as fixed assets, on which Office No.30 is located, had not been presented to Audit.

**2.7 Advances to Public Officers Account**

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The limits authorized by Parliament for the Advances to Public Officers Account of the Office under Item No.01901 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
2.50	2.49	1.50	1.68	7.50	6.35

## 2.8 Non-maintenance of Registers and Books

It was observed during the course of audit test checks that the Office had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register -----	Relevant Regulation -----	Observations -----
(a) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 of 28 November 2002	Not updated
(b) Inventory of Goods	Financial Regulation 454 (1)	Not updated
(c) Register of Listing of Motor Vehicles	Financial Regulation 1647 (e)	Not updated
(d) Bidding Document	Guideline 5.2.1 of the Government Procurement Guidelines	Not maintained

## 2.9 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with provisions in laws, rules and regulations observed during the course of Audit are analyzed and shown below.

Reference to Laws, Rules and Regulations -----	Non-compliance -----
(a) <b>Statutory Provisions</b> -----	
Section 7 of the Act, in terms of Sub-section 8(1) of the Stamp Duty (Special Provisions) Act, No.12 of 2006 as amended by Stamp Duty (Special Provisions) (Amendment) Act, No.10 of 2008	Stamp duty had not been charged in terms of provisions of Circulars for 51 payment vouchers exceeding Rs.25,000 during the year under review.



**(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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- (i) Financial Regulations 104, 109 Preliminary Reports, Final Reports and Orders of Write-Off should be sent to the Auditor General in terms of Forms General 283, 284 and 285 respectively relating to 06 motor vehicle accidents. However, they had not been sent as such and the General Treasury had not been reported on the two losses exceeding Rs.50,000.
- (ii) Financial Regulation 1645 The 14 motor vehicles belonging to the Office had run a distance of 126,196 kilometres during the year under review. Even though a sum of Rs.3,464,868 had been spent for fuel and lubricants, the fuel consumption in Log Books and Running Charts and Monthly Performance Summaries of motor vehicles had not been completed so as to include the said details.
- (iii) Financial Regulations 752(1), 752(2) and 752(3) Inventoried articles totalling Rs.4,081,643 had been purchased during the year under review and all receipts including those receipts as well entered on the receipt side of the Inventory Book and a file of inventory vouchers consecutively numbered, in support of issues, had not been maintained.
- (iv) Financial Regulations 139 (4), 260 (1) and 264 (1) There was no evidence that the monies mentioned in vouchers totalling Rs.3,894,412 had been received or the identity of the payee confirmed or that the payment had been made only to the person named in the voucher.
- (v) Financial Regulations 138 (5), 231 (1) Payments totalling Rs.105,254 had been made in two instances during the year under review by certifying vouchers for estimates and invoices obtained by Fax instead of the originals of the invoices.

**(c) Public Administration Circulars**

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- Circular Nos.09/2009, 09/2009(1), and 03/2017 respectively of 16 April 2009, 17 June 2009, and 19 April 2017 In terms of instructions of Circulars, all public officers including Ministerial staff, Secretaries to Ministries, Heads of Institutions should confirm their arrival to and departure from office by the finger print machine. However, it had not been so done.

**(d) Public Finance Circulars**

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Circular No.431(1) of 16 Payments of Rs.257,000 had been made for air tickets without  
February 2016 taking action in terms of Circular instructions.

**2.10 Human Resources Management**

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**Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments**  
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The position on the approved cadre, actual cadre and vacancies as at 31 December 2017 for the performance of functions of the Office appears below. A sum of Rs.43.66 million had been spent for the Category of Personal Emoluments for the Office for the year under review.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Vacancies</b>
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(i)	Senior Level	04	04	0
(ii)	Tertiary Level	03	03	0
(iii)	Secondary Level	12	10	02
(iv)	Primary Level	18	15	03
(v)	Casual/Contract/Temporary (Including the personal staff of the Leader of the Opposition)	41	16	25
<b>Total</b>		<b>78</b>	<b>48</b>	<b>30</b>
		=====	=====	=====