

## **Head 24 - Report of the Auditor General on the National Procurement Commission – 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 National Procurement Commission. 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 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 Commission will be the Accounting Officer in respect of all the financial transactions of his Commission 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 National Procurement Commission – Head 24 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 General Secretary of the Commission on 24 August 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 National Procurement Commission 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 the said observations, appear from paragraphs 2.1 to 2.12 of this report. It was observed that the accountability as the 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 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

<b>Accountability of the Accounting Officer in terms of Financial Regulation 128</b>	<b>Non-compliance with Provisions by the Accounting Officer</b>	<b>Reference to the Paragraph of the report which included the Observation</b>
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Financial Regulations		
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128(1)(a)	That the work of his department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorised, and that an endeavour is made to complete the programme of work laid down for the year and/or to attain the targets specified;	1. Deficiencies in the Action Plan. 2. Failure in achieving expected results.
		2.1(a),(b) 2.2(a), (b)
128(1)(c)	That 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-compliances with laws, rules and regulations
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## **2. Material and Significant Audit Observations**

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### **2.1 Performance**

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#### **Planning**

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The following deficiencies were observed in the Action Plan prepared by the Procurement Committee for 03 years of 2016, 2017 and for the year under review.

- (i) Details on the updated organizational structure, approved cadre and the cadre at present relating to said years, had not been indicated in the Action Plan.
- (ii) The plan for requirement of imprests for annual activities had not been included therein.
- (iii) Promotion and publicity of the National Procurement Commission had not been carried out in an adequate manner.

### **2.2 Non-performance of Functions**

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The following observations are made.

- (a)(i) The Procurement Commission had planned to present the new Procurement Guidelines - 2017 within the final quarter by revising the Procurement Guidelines published in the year 2006. Accordingly, the new Procurement Guidelines had been published through the Government Gazette No.2070/15 dated 09 May 2018. However, it had not been enforced by obtaining the approval of the Parliament even by 31 July 2018. Under this circumstance, the achievement of main functions of the establishment of the Commission had been sluggish.
- (ii) In the examination of the manner in which action had been taken regarding complaints submitted to the Commission by the bidders in respect of procurements of the public sector, out of 114 complaints received to the Commission in the year 2017, the number of complaints solved as at 31 December 2017 stood at 73. Accordingly, 41 complaints had been at the research level and the Commission had mentioned that only one officer had to be deployed in this service due to unavailability of adequate number of officers.
- (b) Even though it had been planned within the first quarter of the year 2017 to design the website for taking follow up action on the Government procurement process that comes under the scope of the National Procurement Commission indicated under the development of the website and the Electronic Government Procurement System which is one of the key function of the Action Plan, it could not be performed. Moreover, the Commission has stated that the designing of the said website had been delayed due to reasons such as dearth of required staff and failure in raising funds by the foreign funded institutions as expected.

### 2.3 Annual Performance Report

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In terms of the Public Finance Circular No.402 of 12 September 2002, the Performance Report for the year under review should be tabled in Parliament by the Commission within 150 days after closure of the financial year. However, that Report had not been tabled in Parliament even by 31 July 2018.

### 2.4 Obtaining Supplies and Services through the Procurement Process

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Provisions amounting to Rs.5.3 million had been made by the Commission for obtaining supplies and services by taking action in accordance with the Government Procurement Guidelines and out of that, provisions of Rs.4.20 million had been utilized, thus indicating savings of Rs.1.10 million representing 20.76 per cent of the provisions made.

### 2.5 Assets Management

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#### Utilization of Motor Vehicles

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One motor vehicle had been made use of for running in the Commission by the end of the year under review and a distance of 7,247 km had been run by this motor vehicle. Moreover, a total sum of Rs.497,653 comprising a sum of Rs.345,600 for fuel and lubricant, a sum of Rs.32,555 for service and a sum of Rs.119,498 for insurance of motor vehicles, had been spent. Accordingly, the Commission had spent a sum of Rs.69 per km for running of motor vehicles other than the salaries and allowances of Drivers.

Make of Motor Vehicle	Number of Motor Vehicles	Value	Other Expenditure except for Salaries and Allowances of Drivers	Number of Kilometres run	Expenditure per Km
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		Rs.	Rs.		Rs.
Nissan	01	8,125,000	497,653	7,247	69

### 2.6 Sustainable Development

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Every Government institution should act in terms of the 2030 “Agenda” of the United Nations for Sustainable Development. However, the National Procurement Commission had not taken action in the year under review to identify the sustainable development goals and targets relating to functions that come under its scope and focal points to reach those targets and indices for measuring the achievement of targets.

### 2.7 Utilization of Provisions made available by Parliament for the Performance of Functions

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Information on provisions made for the Commission during the year ended 31 December 2017, utilization and savings thereof and audit observations thereon are given below.

Year	Type of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of the Net Provision
		Rs. Millions	Rs. Millions	Rs. Millions	
2017	Recurrent	43.56	41.40	2.16	4.96
	Capital	6.50	5.36	1.14	17.5
	<b>Total</b>	<b>50.06</b>	<b>46.76</b>	<b>3.30</b>	<b>6.59</b>

Provisions of Rs.25.97 million had been made for the National Procurement Commission in the year 2016 under the Object of the Presidential Secretary and a sum of Rs.19.92 million had been spent and a separate Object had been made in the year 2017.

The following observations are made in this connection.

#### Appropriation Account

- (i) The entire net provision of Rs.500,000 made for an Object had been saved without being utilized.
- (ii) The savings out of net provisions totalling Rs.3,650,000 made for 06 Objects, totalled Rs.1,193,674 and it ranged from 18 per cent to 89 per cent of the net provision.
- (iii) In categorization of assets relating to Objects according to the State Accounts Circular No.259/2017 of 13 December 2017, assets should be categorized and submitted separately under each asset category. However, opening balances relating to Objects 2102 and 2103 and assets purchased during the year 2017 had not been categorized and submitted accordingly.

## 2.8 Imprest Accounts

According to the Imprest Estimate prepared by the Commission for the year under review, details on monthly imprests expected to be obtained, monthly imprests applied and imprests received are given below.

Month	Imprests to be applied as planned	Imprests applied	Imprests received	Difference between the imprests to be applied as planned and the imprests applied	Difference between the imprests applied and the imprests received
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
January	2.84	2.84	2.00	-	0.84
February	8.56	8.56	6.59	-	1.97
March	5.22	5.22	4.90	-	0.32

April	3.09	3.09	1.69	-	1.40
May	3.31	3.31	2.60	-	0.71
June	3.22	3.22	2.58	-	0.64
July	4.09	4.09	2.68	-	1.41
August	5.00	5.00	5.53	-	(0.53)
September	5.61	5.61	5.59	-	0.02
October	3.09	3.09	2.39	-	0.70
November	3.79	3.79	3.40	-	0.39
December	6.86	6.86	5.37	-	1.49
<b>Total</b>	<b>54.68</b>	<b>54.68</b>	<b>45.32</b>	<b>-</b>	<b>9.36</b>

Imprests expected to be obtained for the year under review amounted to Rs.54.68 million and the imprests received amounted to Rs.45.32 million, thus indicating a difference of Rs.9.3 million representing 17 per cent between the imprests applied and imprests received.

## **2.9 Non-compliances**

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

In terms of Treasury Operations Circular No.04/2017 of 02 November 2017, Secretaries to the Ministries, Heads of Departments and District Secretaries should delegate authority to a responsible staff officer by name, to close the Cash Books in their offices and sub offices as at 31 December 2017 and copies relating thereto should be furnished to the Auditor General. However, action had not been taken accordingly.

## **2.10 Internal Audit**

An Internal Audit Unit had not been established for auditing of the Commission.

## **2.11 Audit and Management Committee**

In terms of provisions of circulars issued by the Department of Management Audit, the Commission had not held Audit and Management Committee meetings during the year under review.

## **2.12 Human Resources Management**

### **2.12.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments**

The position on the approved cadre, actual cadre and vacancies as at 31 December 2017 for the performance of the functions of the Commission, appear below. The Commission had spent a sum of Rs.12.68 million for the category of personal emoluments for the year under review. Accordingly, the annual per capita expenditure had been Rs.667,368.

<b>Category of Employees</b> -----		<b>Approved Cadre</b> -----	<b>Actual Cadre</b> -----	<b>Vacancies</b> -----
(i)	Senior Level	12	08	04
(ii)	Tertiary Level	01	-	01
(iii)	Secondary Level	17	06	11
(iv)	Primary Level	09	04	05
(v)	Other(Casual/ Basis)      Temporary/Contract	12	01	11
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	Total	51	19	32
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The following observations are made in this connection.

- (i) The number of employees in the approved cadre of the Commission as at 31 December 2017 on permanent and contract basis stood at 39 and 12 respectively. Recruitments had not been made on contract basis, whilst only one post on temporary basis had been made. Moreover, recruitments had been made only for 18 out of 39 approved permanent cadre. The attention had not been paid to evaluate whether the existence of vacancies adversely affect the performance of the Commission and to fill those vacancies or to revise the approved cadre.
- (ii) The number of posts on contract basis in the approved cadre, consisted of 10 posts of Procurement Officer, one post of Coordinating Secretary of the Chairman and one post of Coordinating Secretary of the General Secretary. However, the post of General Secretary, 02 posts of Additional General Secretary, one post of Accountant and 05 posts of Public Management Assistant, not belonging to the posts on contract basis, had been recruited on contract basis.