

Head 06 - Report of the Auditor General on the Public Service Commission – 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 Public Service Commission. 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 Scope of Audit

The audit of Public Service Commission – Head 06 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 Public Service Commission on 18 July 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 Public Service 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 audit observations included in the Management Audit Report appear in paragraph 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.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance with that Provision by the Chief Accounting Officer	Reference to the Paragraph of the report which included the Observation
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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.	1. Non-preparation of the Action Plan	2.3
	2. Non-preparation of the budget estimate in a realistic manner.	2.9
	3. Shortcomings in the preparation of imprest estimate.	2.7
	4. Non-maintenance of registers and books.	2.8
127(1)(b) A system which provides adequate control over expenditure and the collection of revenues, should be evolved.	1. Non-compliances	2.9
	2. Shortcomings in Human Resources Management	2.10
127(2) Existing items of expenditure, as well as proposals for new or increased expenditure in the departments under his control, are closely examined in the Ministry from the points of view of economy and efficiency.	Delays in implementation of projects	2.4

2. Material and Significant Audit Observations

2.1 Key Functions of the Public Service Commission

By virtue of the powers vested by the 19th Amendment to the Constitution, except for a member of Army, Navy and Air Force, or an officer of the Election Commission appointed by the Election Commission or a police officer appointed by the National Police Commission or a scheduled public officer appointed by the Judicial Service Commission or a member of the Sri Lanka Audit Service appointed by the Audit Service Commission, provincial public officers appointed by the Provincial Public Service Commission, Secretaries to the Ministries, appointed by the President, Heads of Departments appointed by the Cabinet of Ministers and employees of Public Corporations, Statutory Bodies and employees of Government owned Business Undertakings,

(a) the appointment

(b) promotion

(c) transfer

(d) disciplinary control and dismissal from public service of all other public officers including officers falling under All Island Services employed in the Provincial Councils are the key functions of the Public Service Commission.

2.2 Performance

According to information summoned on the performance of the Commission of the year 2017, details on the performance for the year under review are given below.

Details	Balance as at 01 January 2017	Received during the year 2017	Completed during the year 2017	Savings as at 31 December 2017
Appointments	365	5,771	5,806	330
Promotions	141	3,382	3,162	361
Service Minutes	05	01	03	03
Transfer Schemes	04	18	13	08
Scheme of Recruitments	56	76	61	71

Seventy one Schemes of Recruitment had not been approved as at 31 December 2017 while 18 Schemes of Recruitment had been approved by 14 June 2018. Failure in providing necessary information from relevant institutions on time as well had been attributed to the non-approval of remaining Schemes of Recruitment. However, one transfer scheme had been returned to the relevant institution by notifying that an internal arrangement should be made thereon.

2.2.1 Planning

In terms of Public Finance Circular No.01/2014 of 17 February 2014, the Action Plan for the year 2017 had not been prepared by the Commission.

2.3 Implementation of the Procurement Process

Construction of New Buildings

The following observations are made.

- (i) An agreement to the value of Rs.417 million had been entered into with the contractor for the contract of construction of a new building for the Commission. According to the Decision No.අම/14/1823/501/040 dated 24 December 2014 of the Cabinet of Ministers and the observation of the Secretary to the Ministry of Finance and Planning is that the Commission should satisfy the successful completion of construction activities of its new building within the due period.
- (ii) This construction project had been commenced on 02 January 2015 and in terms of the agreement, the certificate for handing over by completing works should be issued on 22 June 2017 that is, 900 days after commencing the project. However, action had not been taken to complete and hand over the said building even by 08 March 2018, the date of audit.
- (iii) Even though it is indicated in the Cabinet Decision relating to the construction of the building that a feasibility study should be carried out, it was not confirmed whether the Department of Buildings, to which the administration of buildings is assigned, had carried out a feasibility study. Moreover, the Commission had had paid a sum of Rs.12,056,100 to the Department of Buildings as project management fees without considering it.
- (iv) In planning contracts, the plans should be prepared according to a specific time frame and they should be implemented properly. However, construction activities of the new building could not be completed on 22 June 2017 as planned and as such, the Commission had to pay a sum of Rs.16,422,000 to a private firm as building rentals for a period of 7 months.

2.4 Assets Management

Annual Boards of Survey

In terms of Public Finance Circular No.05/2016 dated 31 March 2016, the annual boards of survey for the year 2017 should be conducted and reports thereon be presented to the Auditor General before 17 March 2018 in terms of paragraph 3.1.6 of the said Circular. However, the Commission had not furnished those reports to the Auditor General even by 30 June 2018.

2.5 Commitments and Liabilities

Contrary to paragraph 02(c) of the State Accounts Circular No.255/2017 of 27 April 2017, commitments of Rs.84.34 million had been incurred despite not having made provisions for the relevant Object of the year 2018.

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

Information on provisions made for the Commission during the period of 05 years 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	
2013	Recurrent	114.61	114.57	0.04	0.03
	Capital	9.07	8.23	0.84	9.26
	Total	123.68	122.80	0.88	0.71
2014	Recurrent	125.44	123.26	2.18	1.74
	Capital	119.28	106.91	12.37	10.37
	Total	244.72	230.17	14.55	5.94
2015	Recurrent	141.54	140.14	1.40	0.99
	Capital	281.10	70.47	210.63	74.93
	Total	422.64	210.61	212.03	50.17
2016	Recurrent	159.00	157.01	1.99	1.25
	Capital	185.15	126.47	58.68	31.69
	Total	344.15	283.48	60.67	17.63
2017	Recurrent	197.11	184.17	12.94	6.56
	Capital	254.50	160.77	93.73	36.83
	Total	451.61	344.94	106.67	23.62

The following observations are made in this connection.

(a) Preparation of the Budget Estimate

It was not observed that the budget estimate prepared for making provisions required for performing the functions relating to the Commission, had been prepared in a realistic manner. According to the total cost estimate, total provisions required for the construction of the new building had been made by the Commission, thus indicating savings out of the net provisions made, amounting to Rs.92.79 million or 37 per cent due to failure in completing the said building by the end of the year under review.

(b) Appropriation Account

The following observations are made.

(i) Non-utilization of Provisions made

The total net provision itself amounting to Rs.1,000,000 made for a Capital Object had been transferred to another Capital Object.

(ii) Excess Provisions

In terms of Financial Regulation 50, accurate estimates of expenditure should be prepared. However, excess provision had been made for a recurrent Object and for 03 Capital Objects by the Commission and as such the savings, after the utilization of provisions, ranged between 34 per cent and 63 per cent of the net provisions relating to the respective Objects.

2.7 Imprest Account

The following observations are made in this connection.

The imprest of Rs.111.22 million planned to be applied for, imprest of Rs.269.76 million applied for and imprest of Rs.142.76 million received had remained as at the last quarter of the year under review in the Commission. Accordingly, more imprests had been applied for during the last quarter by the Commission without planning and as such, provisions had been saved as at the end of the year due to unavailability of imprests.

2.8 Non-maintenance of Registers and Books

In terms of Treasury Circular No.842 of 19 December 1978/ Chapter 11 of the Financial Regulation 502(2), the Register of Fixed Assets should be maintained with the concurrence of the Auditor General. Nevertheless, the Commission had not maintained a Register of Fixed Assets in an updated manner.

2.9 Non-compliance

Non-compliance with Laws, Rules and Regulations

In terms of the Public Administration Circular No. 10/2000 of 30 March 2000, the Advisory Councils should be established in all Ministries, Departments, Government Corporations and in Statutory Boards without delay. However, the Commission had not established Advisory Councils concerned even by 30 March 2018.

2.10 Human Resources Management

The position on the approved cadre, actual cadre and vacancies as at 31 December 2017 for the performance of the functions indicated in paragraph 2.1 above, is given below. The Commission had spent a sum of Rs.120.43 million for the category of personal emoluments for the year under review.

Category of Employees	Approved Cadre	Actual Cadre	Vacancies	Excess
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(i) Senior Level	49	37	12	-
(ii) Tertiary Level	09	05	04	-
(iii) Secondary Level	115	99	16	-
(iv) Primary Level	54	45	09	-
(v) Casual/Contract Basis	-	03	-	03
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Total	227	189	41	03
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The following observations are made in this connection.

Even though the Commission should take action to identify the cadre required for the smooth performance of functions thereof and to fill vacancies in the year under review, only three officers had been recruited on contract basis. Moreover, the Commission was unable to fill the remaining 38 vacancies in the year under review and the percentage of vacancies existed in each level ranged from 17 per cent to 44 per cent. Requests had been made from the Ministry of Public Administration and Management regarding filling vacancies existed under the senior level in the year 2018 and action is being taken to recruit for other posts, as well.