

Head 163 - Report of the Auditor General on the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs - 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 Ministry of Internal Affairs, Wayamba Development and Cultural Affairs. The financial and physical performance reflected by that 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

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 the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs – Head 163 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 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 material and significant audit observations out of the audit observations revealed in audit carried out in the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs for the year ended 31 December 2017, appear from paragraphs 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.

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-maintenance of registers and books. 2.The Action Plan had not been prepared accurately.	2.9 2.1.1
127(1)(b) A system which provides adequate control over expenditure and the collection of revenues, should be evolved.	1. Non-compliances 2. Shortcomings in the management of human resources	2.10 2.11
127(2) that 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;	Deficiencies in the implementation of the Procurement Process	2.3
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.	1. Failure in ascertaining the safety of assets 2. Irregular utilization of assets not vested 3. Deficiencies in rendering of services for public	2.4(b) 2.4(d) 2.5
127(4) that Appropriation Accounts are duly rendered by each of his	Deficiencies in General Deposit Accounts	2.8

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.

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| 127(5) | that important variations between departmental Estimates and expenditure receive critical examination at the Ministry; | 1.Non-utilization of provisions made
2.Excess provisions | 2.6(a)
2.6(b) |
| 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 the Advances to Public Officers Account | 2.7 |
| 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. | Irregular utilization of assets not vested | 2.4(d) |

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

The Action Plan for the year 2017 had been prepared in terms of the Public Finance Circular No.01/2014 of 17 February 2014. However, details on the updated organizational structure,

approved cadre and the cadre at present relating to the year under review, had not been indicated in the Action Plan.

2.2 Non-performance of Functions

----- Failure in obtaining the expected output -----

- (a) The physical progress of 03 activities such as the Project of Construction of the Angampora Village, implementation of drinking water scheme and research and development activities implemented in the year under review and expected to be completed fully in the same year had been at a weak level from 10 per cent to 50 per cent. Provisions of more than 75 per cent out of annual provisions made for completing those projects, had been utilized during the year under review.
- (b) A Construction Division had been established in the Ministry for implementation of the Programme of Establishment of a Cultural Centre in every Divisional Secretariat Division in the year 2011. Construction and maintenance activities of those Centers had been carried out by that Division. The number of Cultural Centres constructed and established from the year 1998 to 20 April 2018 had been 182 and 34 Cultural Centres were under construction. However, action had not been taken to construct Cultural Centres in 110 Divisional Secretariat Divisions by 31 December 2017. Further, construction of 07 Cultural Centres had been commenced and abandoned halfway.
- (c) Construction of 06 Centres had been commenced and abandoned halfway due to reasons such as land disputes and landslides occurred in the construction of Cultural Centres of Divisional Secretariat Divisions and a sum of Rs.19.08 million had been spent therefor as at 31 December 2017. Moreover, the Cultural Centre constructed by spending a sum of Rs.2.27 million in the Samanthurai Divisional Secretariat Division had been handed over for maintaining a mobile court at the request of the District Secretary.
- (d) Even though 04 years had elapsed after completing constructions of 13 Cultural Centres constructed by spending Rs.144,790,238 by the Ministry, those had not been opened even by August 2018.

Road Development Projects

The following matters are observed in respect of road development projects carried out during the year 2017 under provisions made by the Ministry of Wayamba Development.

- (a) According to the physical progress of projects, 03 projects valued at Rs.20.7 million had been continued. The physical progress of one project out of those, had been about 70 per cent by 30 September 2018 and the physical progress of other projects, was 100 per cent.
- (b) Ten Projects at an estimated cost of Rs.12,003,205 which was under the Rural Roads Development Projects, had been cancelled as at 31 December 2017 and 01 small towns project valued at Rs.837,521 as well had been cancelled.

2.3 Obtaining Supplies and Services through the Procurement Process

Provisions of Rs.734.74 million had been made by the Ministry for supplies and services which should be obtained according to the Government Procurement Guidelines and out of that, provisions of Rs.566.20 million had been utilized. Even though provisions of Rs.659 million had been made under Building Constructions Object, a sum of Rs.166 million out of that had been saved without being utilized and it was 25 per cent of provisions made.

2.4 Assets Management

(a) Failure in ascertaining the Safety of Assets

The State Emblem had not been displayed on 68 motor vehicles belonging to the Ministry in terms of provisions of the Public Administration Circular No.1/2002 of 25 February 2002.

(b) Conduct of Annual Boards of Survey

A survey relating to motor vehicles owned by the Ministry had not been conducted in terms of Financial Regulation 1647 (a).

(c) Irregular Use of Assets not vested

The assessed value of 166 Cultural Centres located island wide had been Rs.400,283,087 and the ownership of those lands had not been vested in the Ministry even by 31 December 2017.

2.5 Management Weaknesses

Rendering of Service to the Public

In terms of Public Administration Circular No.05/2008 of 06 February 2008, all Government institutions should introduce and implement the Citizen's Charter. However, the Ministry had not been aware of that matter and action had not been taken to implement provisions of the said Circular.

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

An analysis on capital provisions made for the Ministry during the period of 05 years ended 31 December 2017 and utilization thereof are given below.

Year	Type of Expenditure	Net Provision Rs. Millions	Utilization Rs. Millions	Savings Rs. Millions	Savings as a percentage of the Net Provision
2013	Recurrent	634.48	562.53	71.95	11.33

	Capital	529.40	473.68	55.72	10.52
	Total	1,163.88	1,036.21	127.67	
2014	Recurrent	658.64	649.80	8.84	1.34
	Capital	663.70	377.95	285.75	43.05
	Total	1,322.34	1,027.75	294.59	
2015	Recurrent	889.20	820.48	68.72	7.72
	Capital	3,523.74	503.64	3,020.10	85.70
	Total	4,412.94	1,324.12	3,088.82	
2016	Recurrent	853.01	827.08	25.93	3.03
	Capital	4,286.34	2,035.39	2,250.95	52.51
	Total	5,139.35	2,862.47	2,276.88	
2017	Recurrent	941.46	886.02	55.44	5.88
	Capital	4,109.25	2,701.00	1,408.25	34.27
	Total	5,050.71	3,587.02	1,463.69	

It was observed according to the said analysis that a considerable amount of provisions out of capital provisions made during 05 preceding years, had remained without being utilized annually. The highest savings of provisions were observed in the year 2015.

Further, the following observations are made on utilization of provisions made in the year under review.

(a) Non-utilization of Provisions made

The entire net provisions totalling Rs.26.25 million made for 03 Capital Objects had been saved without being utilized.

(b) Excess Provisions

Excess provision totalling Rs.1006.25 million had been made for 04 Capital Objects and as such the savings, only after the utilization of provisions totalling Rs.294.66 million, ranged between 52 per cent and 87 per cent of the net provisions relating to the respective Objects.

2.7 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament for the Advances to Public Officers Account, Item No.16301 of the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
38	43.87	23	32.03	120	98.50

The following observations are made in this connection.

According to the Reconciliation Statement presented to Audit, the balances that remained outstanding as at that date totalled Rs.1,422,145 except for the loan balances of officers who had gone on transfer. Even though those outstanding balances remained over periods ranging from 01 year to 05 years, the Ministry had failed to recover those outstanding balances.

2.8 General Deposit Accounts

The balances of 05 General Deposit Accounts of the Ministry as at 31 December 2017 totalled Rs.66.45 million. Action in terms of Financial Regulation 571 had not been taken on 05 deposits totalling Rs.1,224,592 million older than 2 years.

2.9 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry 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) Security Register	Financial Regulation 891(1)	Not maintained
(b) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978	Not maintained in an updated manner

2.10 Non-compliances

Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Value ----- Rs.	Non-compliance -----
<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p>-----</p> <p>Financial Regulation 104(1)(a)</p>	<p>1,578,336</p>	<p>Two motor vehicles had met with accidents in 03 instances of the year under review and inquiries had not been instituted to ascertain the extent and causes of the loss and to fix responsibility. Even though it had been informed that inquiries had been instituted in respect of 02 accidents, reports thereon had not been made available to Audit.</p>
<p>(b) Public Finance Circular No.02/2015 of 10 July 2015</p> <p>Paragraph 02</p> <p>Paragraph 05</p>		<p>In terms of paragraph 2 of the said Circular, it had been indicated that it is a responsibility of the Chief Accounting Officer to complete the disposal of vehicles identified to be disposed within 03 months from the date of issuance. However, 06 motor vehicles identified to be disposed, had not been disposed even by 22 December 2017.</p> <p>In terms of paragraph 05 of the said Circular, a Committee had not been appointed even up to 22 December 2017 to assess and fix minimum selling price for the vehicles to be disposed.</p>
<p>(c) Paragraph 2 of the National Budget Circular No.1/2016 of 19 September 2016 and paragraph 04 of the National Budget Circular No.01/2016 of 17 March 2016</p>	<p>2,637,295</p>	<p>In terms of referred circulars, motor vehicles can be procured only for allocating them for various categories of officers and for vehicle fleet under the operational leasing method. However, a motor vehicle procured under the operational leasing method had been assigned for use of the Deputy Minister and a sum of Rs.2,637,295 had been paid for the period from January 2017 to May 2018.</p>

2.11 Human Resources Management

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 Ministry, appear below. The Ministry had spent a sum of Rs.547.31 million for the category of personal emoluments for the year under review. Accordingly, the per capita expenditure had been Rs.457,233.

	Category of Employees	Approved Cadre	Actual Cadre	Vacancies
(i)	Senior Level	29	26	03
(ii)	Tertiary Level	06	05	01
(iii)	Secondary Level	659	542	117
(iv)	Primary Level	587	511	76
(v)	Casual/ Contract Basis	-	113	-
	Total	1,281	1,197	197

The following observations are made in this connection.

(a) Irregular release of Human Resources to other Parties

According to the cadre presented as at 31 December 2017, thirteen, 18 and 35 vacancies in the posts of Cultural Promotion Officer, Development Officer and Centre Karyala Karya Sahayake existed. However, a Cultural Promotion Officer, 3 Development Officers, an Information Officer and a Centre Karyala Karya Sahayake had been deployed in the service of the Folk Music Conservation Centre and salaries of Rs.1,776,842 in the year 2016 and Rs.2,005,082 up to October 2017 had been paid for those officers by the Ministry. Moreover, 03 Cultural Promotion Officers had been released to the Galle Heritage Foundation and salaries of Rs.965,387 and Rs.857,148 had been paid in the year 2016 and up to November 2017 respectively for them.

(b) Human Resources obtained from other Parties

A Photographer and a Labourer belonging to the Central Cultural Fund had been deployed in the service of the Ministry from a period of 06 years and 02 years respectively and those two Officers as well had been deployed in the service of the Folk Music Conservation Centre of the Department of Cultural Affairs by January 2018.