

## **Head 130 - Ministry of Public Administration and Management**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ministry of Public Administration and Management for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Public Administration and Management was issued to the Chief Accounting Officer on 27 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 31 May 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the Ministry of Public Administration and Management as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of Chief Accounting Officer on Financial Statements**

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Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- It is not intended to express an opinion on the effectiveness of internal control of the Ministry to plan appropriate audit procedures in a timely manner.
- Evaluate structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

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I declare the following matters in terms of Section 6 (d) of the National Audit Act No. 19 of 2018.

- (a) As there was no need to prepare financial statements by the Ministry of Public Administration and Management for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the Ministry to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been furnished.

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement on Financial Performance

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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Although the arrears revenue balance of the Government House which was provided to the Chronic Kidney Prevention and Research Secretariat as at 31 December 2017 was Rs. 2,580,000 , an outstanding balance had not been shown as at 31 December 2018 and any recovery had not been made during the year. As a result, the arrears revenue had been understated by that amount .	The Treasury Approval should be obtained for the removal from the arrears revenue.	The rent has not been paid since the day of the house was reserved. Although the Ministry of Health has been informed time to time to take actions to settle the arrears rent, it has not been paid up to now.

### 1.6.2 Statement of Cash Flow

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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Although the changes in Deposit Accounts amounted to Rs. 11,710,791 should be shown as cash generated from operating activities in the cash	Actions should be taken in terms of the provisions in the State Accounts	It was stated that the value of changes in deposit accounts and other liabilities should be stated

flow, it was stated in the financial statements as a cash flow generated from financial activities. Circular No. 267/2018 dated 21 November 2018 . under the cash flows generated from the financial activities whilst preparation of the cash flow statement.

### 1.6.3 Advance Account Balances

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
Out of the loan balance that should be recovered from 07 officers who had left the service amounted to Rs. 863,127, the balance over 05 years was Rs. 342,336 .	The recoverable loan balances should be recovered in timely manner.	Agree with the observation.

### 1.6.4 Non –compliance with Laws, Rules and Regulations

Instances of non- compliances with provisions in Laws, Rules and Regulations observed during the course of audit test checks are analyzed below .

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>

#### **Reference to Non-compliance Laws, Rules and Regulations**

- (a) **Establishment Code of the Democratic Socialist Republic of Sri Lanka**

(i) Section 4.1 of Chapter XIX	Apart from the provisions relating to the allocation of common houses , scheduled houses and	Decision on Cabinet of Ministers for a single house is 27 years old and	As per the Cabinet Decision අංක 116/1991/ (70) of 16 October 1991, a
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despite a long waiting list exists, two houses in Summit Flats had been given to Sri Lanka Administrative Service Association for a monthly rental of Rs. 275 and Rs. 1,000 respectively. because the other house has no such decision, the provisions of the Establishments Code should be followed. nominal rent amounted to Rs. 275 from one house and considering the same Cabinet Decision, the other house has been decided to charge a nominal rent of Rs.1000 from 02 February 2001 by the then Secretary of the Ministry

(ii) Section 6.1 of Chapter XIX Although the lease period of all houses except a house scheduled for a post, is limited to 5 years, an officer has been residing in a house from the year 2004 to the year 2019 . The provisions in the Establishments Code should be followed. Although it has been allocated to a Director of the Ministry of Higher Education for a period of five years since 2004, as the actions were not taken to handed over back, inquires has been made from the Attorney General about this.

(b) Public Administration Circular No. 02/2018 dated 24 January 2018 Although a Human Resource Development Plan should be prepared for human resource development within the Ministry ,actions had not been taken accordingly. Actions should be taken in terms of the Circular. It is kindly informed that the Draft Human Resource Development Plan for the Ministry has been prepared and will be completed soon.

## 2. Financial Review

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### 2.1 Revenue Management

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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(a) The Revenue Estimate for the year under review was Rs. 950 million and thus the Actual Income was a sum of Rs. 963.8 million, an increase of 13.8 million of net income over the initial estimate was observed.	Preparation of accurate revenue estimates, streamline revenue administration should be made and revise as applicable in terms of Financial Regulation 128 (2) and the Fiscal Policy Circular No. 01/2015 of 20 July 2015.	The difference between the Revenue Estimate and the Actual Income for the year under review is only 1.3 per cent and this was caused to show a difference between Net Income and the Estimated Income upon reporting of increase in salaries of public servants and rents from newly constructed buildings.
(b) Even though the actual building rental income for the year 2018 had been increased by a sum of Rs. 51.2 million as compared to the preceding year, a decrease in revenue amounted to Rs. 258.9 million relating to 42 institutions were observed. The amount of that decrease had ranged from 0.86 per cent to 96.82 per cent.	Identify the variations of income and appropriate measures should be taken .	Due to the matters such as showing an abnormal decrease and increase in income due to various reasons, decrease of bookings of circuit bungalows as compared to previous year, a decrease in income is indicated.
<b>(c) Arrears Revenue</b>		
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(i) The total arrears of revenue as at 31 December 2017 was Rs. 188.5 million and the total arrears of revenue as at 31 December for the year under review was a sum of Rs. 214.3 million. Accordingly, the arrears of revenue had increased by a sum of Rs. 25.9 million. Further,	Arrangements should be made to recover the arrears revenue in an updated manner.	The arrears rent of the Department of Food Commissioner had been increased by Rs. 25 million in the year 2018 and a sum of Rs. 15.6 million has been recovered and necessary actions have been taken to recover the balance of the arrears.

a sum of Rs. 125.6 million out of this arrears was the balance before the 31 December 2015 and it was a 59 per cent out of the total arrears income.

- (ii) The arrears rent of the Department of Food Commissioner and the Ministry of Public Administration and Management were a sum of Rs. 84.8 million and Rs. 59.2 million respectively by the end of the year under review. A sum of Rs. 44.8 million receivable before the year 2013 was included in the rent receivable of the Ministry.
- Actions should be taken to make aware the institutions and recover the balance.
- Since there is an arrears rent in due to the Food Department of Commissioner for the stores given to Sathosa institution in the year 2018 , this has caused to indicate a higher amount of arrears in the year 2018 .

Out of this amount, a sum of Rs. 36 million was receivable from the Land Reform Commission and even though the using of this building was abandoned in the year 2016 , actions had not been taken to recover the arrears.

- (iii) The rent which could not be recovered from the year 2009 to 2011 was Rs. 36.6 million by renting the buildings belonging to the Department of Pensions to five government institutions.
- Arrangements should be made to make aware of the institutions and recover the balances.
- Legal actions will be taken against those state institutions.

## 2.2 Expenditure Management

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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(a) Out of the provision made available for 02 objects amounted to Rs. 43.3 million, the entire provision had been saved the without any utilization.	Annual Expenditure Estimates should be prepared in accordance with the provisions of the Financial Regulations 50 .	Agree with the observation. Due to the revisions of Ministries and the expected expenditure for 07 Holiday Resorts was not occurred, the total net provision has been saved.
(b) The total net provision of 22 objects was Rs. 876.3 million and the utilization was Rs. 672.5 million. As a result of the overprovisions made available the savings related to the Expenditure Objects had ranged from 16 per cent to 67 per cent.	Cost Estimates should be prepared as accurate as possible.	Agree with the observation. Upon receipt of necessary imprests was not received. from the Treasury for 12 objects and the provisions were saved without utilization due to various reasons for other 10 Expenditure Objects.
(c) The provisions had been transferred in 6 occasions under Financial Regulation 66 and out of that provisions ranging from 52 per cent to 100 per cent had been saved without utilization. Hundred per cent of the provisions made available by supplementary estimates at 02 instances had been saved without utilization.	Actions should be taken in accordance with Financial Regulations.	Agree with the observation. The provisions obtained in 06 instances were saved without utilization .



### 2.3 Entered in to Liabilities and Commitments

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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It had been entered in to liabilities amounted Rs. 1,513,630 at 13 occasions in the year under review in excess of the net allocation in contrary to the provisions of Financial Regulation 216 (a) .	Actions should be taken with regard to liabilities in terms of Financial Regulation.	Agree with the observations and it is informed that the actions will be taken to prevent such situations in future.

### 2.4 Issuance and Settlement of Advances

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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Although the Ad hoc sub imprests issued should be settled within 10 days of its task completed in terms of the Financial Regulations 371 (5) as amended by the Public Finance Circular No. 03/2015 of 14 July 2015, the ad hoc sub imprests which had issued on 07 occasions had been settled with a delay of 7 days to 22 days.	Actions should be taken to settle the advances within 10 days of completing of the task as per Regulations.	It is informed that the delays had occurred and actions will be taken to avoid such delays in future.

### 3. Operating Review

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#### 3.1 Not achieving Desired Output Level

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
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(a) Seven recruitments and 16 examinations those were planned by the Combined Services Division had not been carried out.	Arrangements should be made to conduct recruitment examinations on time.	Actions were taken to made aware the Commissioner General of Examinations regarding the examinations to be included in the preparation of the examination programme for the year 2018 and the difficulties faced have been brought to the attention of the Commissioner General of Examinations due to inability to hold examinations on time.
(b) Even though it had been gazetted to recruit for the 6,193 vacancies in Public Management Assistants posts at the beginning of the year under review, due to only a number of 5,427 officers recruited , there were 766 more vacancies remained. Further, there had been 135 vacancies in the Library Service at the end of the year under review.	Necessary actions should be made to fill the relevant vacancies.	Out of 5,432 vacancies that could be filled in the Public Management Assistants' Service, actions were taken to fill a number of 5,427 in two rounds. Result sheets have been obtained from the Department of Examinations to fill 12 more vacancies for the Sri Lanka Librarians' Service on limited basis.
(c) Hundred and ten officers in Sri Lanka Administrative Service III, II, I and Special Grades had been serving in the	Actions should be taken in accordance with the Procedural Rules 195 (vi), (vii) and 203 (v) of the Public Service	Although the Annual Transfer Orders for Officers in Grade III, II, I and Special Grade of Sri Lanka Administrative Service were given, approval has been

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| <p>same position for more than five years without being transferred.</p>  | <p>Commission.</p>   | <p>obtained to continue to serve in the same location on service requirement by appealing to the Public Service Commission through the Heads of the Departments.</p>  |
| <p>(d) A number of 482 Grade III, II, I and Special Grade officers of the Sri Lanka Accountancy Service had been serving in the same position for more than 05 years without being transferred. Out of that, 30 of them were transferred and cancelled again.</p> | <p>Actions should be taken in accordance with the Procedural Rules 195 (vi), (vii) and 203 (v) of the Public Service Commission.</p> | <p>Due to the large number of officers assigned to perform duties in addition to the regular work place as at 30 June 2018, since there were 473 vacancies, transferring of all the officers who had completed 5 years was troublesome .</p>  |
| <p>(e) Even though it had been planned to promote a number of 148 officers in Class III and 148 officers in Class II of the Sri Lanka Engineering Service only 14 officers were promoted.</p>   | <p>Arrangements should be made as planned.</p>   | <p>Only the officers who have qualifications will be promoted.</p>  |
| <p>(f) The activities such as Recruitment of 133 New Officers in Sri Lanka Planning Service, confirmation of the 2015 team in service and promotion of the 2008 team to Class II were not fulfilled.</p>  | <p>-do-</p>  | <p>Due to non-issuance of examination results for the recruitment of new officers during the year 2018 the recruitment of new officers could not be completed as expected.<br/>Only the letters and documents accurately directed to confirm the service of officers recruited to Grade III were forwarded to the Public Service Commission during the year itself.</p> |

### 3.2 Delays in Completion of Projects

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 The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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<b>Nila Piyasa Projects</b>		
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(g) Although the Moneragala Project is expected to achieve 60.8 per cent physical progress by the end of the year 2018, the progress achieved was 44 per cent.	Arrangements should be made as per the provisions made available and as targeted.	Due to the adverse weather conditions at the initial stages of the Project, it could not be carry out the construction works within a considerable time for this Project.
(ii) Sixty five per cent of the Gampaha Project planned to be completed by the end of the year 2018 and only a 42.25 per cent had been achieved.	-do-	As a result of a border dispute at the start of the project and a number of internal issues related to the construction contractor's finances and management the construction, the project was delayed up to a considerable level. The awareness was made at the progress review meetings held with the Secretary and the physical progress of Phase I is 90 per cent by now.
(iii) Only 15 per cent out of the planned contract works of the Kandy Project for the year 2018 had been completed and the total provision made for that amounted to Rs. 25 million had been totally utilized.	-do-	Since the time was taken to demolish the old buildings located on the proposed site and take necessary approvals and modify the structural design of the building the construction was delayed. As the performance of the contractor is not at an optimum level even by now, the contractor and the consultancy services providing agency has been advised of the steps to be

(iv) The plans had been made to complete Polonnaruwa Project totally by the end of the year 2018 and only 09 per cent had been completed out of that. Similarly, the allocation made for the completion of only 05 per cent in the year 2018 amounted to Rs. 67.7 million had been fully utilized.

taken.

- It was also taken six months to obtain the approval to demolish and removal of constructions exists in the proposed site.
- Because of failure to obtain sufficient physical progress, actions were taken for the termination of the contractor agreement on 21 March 2019. Accordingly, necessary steps are being taken to commence procurement activities to select a new contractor as per the instructions of the consultancy agency.

### 3.3 Losses and Damages

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The following observations are made.

#### **Audit Observation**

#### **Recommendation**

#### **Comments given by the Chief Accounting Officer**

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(a) The value of loss that had not written off from the book as at the end of the year under review was Rs. 2.1 million and the balance that had to be dealt with further was Rs. 1.5 million

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Actions should be taken in respect of recovery and write off from books promptly in terms of Financial Regulation 109 .

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Actions are being taken to recover of the total balance of losses and damages to be written off and the balance recoverable amounted to Rs. 1,267, 643. Actions will be taken to complete the files related to vehicle accidents as soon as possible.

(b) Even though the 23 A Summit house was set on fire and heavily damaged, necessary actions had not been taken to compute the damages.

Measures should be taken to in respect of the damages in terms of Financial Regulation 103 (1) and 104 (1) .

It is informed that the further actions has been taken as per the report furnished by the Technical Officer of the Thimbirigasyaya Divisional Secretariat that had calculated the damage caused by the fire which occurred on 04.06.2018 .

**4. Achieving of Sustainable Development Goals**

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
----- Every Government institution has to act as per the United Nations Year 2030 "Agenda" on Sustainable Development and the Ministry had not aware of the scope of tasks and how to proceed under its purview for the year under review.	----- Actions should be taken to take measures as per the United Nations' 2030 Agenda for Sustainable Development.	----- Comments has not been given.

**5. Human Resource Management**

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
----- The approved cadre as at 31 December 2018 was 1670 and out of that 360 were vacant.	----- Actions should be taken to fill the vacancies.	----- Comments were not given.