

Appropriation Head – 122 – Report of the Auditor General on the Ministry of Mass Media and Information and the Departments Under the said Ministry.  
Year 2012

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This report consists of two parts.

Part I – Summary report on the accounts of the Ministry and the Departments under the said Ministry.

Part II – The detailed report relating to each Appropriation Head.

Part I

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Summary report on the accounts of the Ministry of Mass Media and Information and the Departments under the said Ministry.

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01. Departments under the Ministry

<u>Expenditure Head</u>	<u>Name of the Department</u>
210	Department of Government Information
211	Department of Government Printer

02. Accounts

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2.1 Appropriation Account

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Total Provision and Expenditure

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The total net provision made for the Ministry and 02 Departments under the Ministry amounted to Rs.2,395,400,000 and of this, a sum of Rs.2,082,637,377 had been utilized as at end of the year under review. Accordingly, the net savings out of the provisions of the Ministry and the Departments were within a range of Rs.23,730,565 to Rs.166,053,369 representing a range of 12.94 per cent to 10.51 per cent of the total net provision. Details are shown below.

Appropriation Head	Ministry/ Department	Net Provision		Utilization		Savings	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
122	Ministry of Mass Media and Information	352,870,000	280,700,000	345,066,813	165,524,498	7,803,187	115,175,502
210	Department of Government Information	158,990,000	24,350,000	144,860,283	14,749,152	14,129,717	9,600,848
211	Department of Government Printer	1,421,740,000	156,750,000	1,357,880,919	54,555,712	63,859,081	102,194,288
	<b>Total</b>	<b>1,933,600,000</b>	<b>461,800,000</b>	<b>1,847,808,015</b>	<b>234,829,362</b>	<b>85,791,985</b>	<b>226,970,638</b>

## 2.2 Revenue Account

### (a) Estimated and Actual Revenue

The Department of Government Printer had estimated revenue amounting to Rs.345,757,440 under one Revenue code for the year 2012 and the revenue collected amounted to Rs.308,218,041. Details are shown below.

Revenue Accounting Officer	Revenue Code	Estimated	Actual	(Less collection/More collection)	Percentage
		Rs.	Rs.	Rs.	
Government Printer	2003-2-5	345,757,440	308,218,041	37,539,399	11

## 2.3 Advance Accounts

### 2.3.1 Advances to Public Officers Accounts

#### (a) Limits Fixed by the Parliament

The following limits fixed by the Parliament for the Ministry and the 02 Departments under the Ministry in respect of the Advances to Public Officers Accounts had been followed

Head	Item No	Expenditure		Receipts		Debit balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
122	12201	7,000,000	6,617,764	3,600,000	4,505,417	30,000,000	16,812,005
210	21001	8,000,000	5,186,330	5,200,000	6,368,862	45,000,000	26,908,229
211	21101	77,000,000	40,569,981	38,000,000	56,992,870	300,000,000	237,048,076

#### 2.4 Imprests and General Deposits Account

##### (a) Imprest Account

There was a debit balance of Rs.24,502,985 in the imprest accounts of the Ministry and the 02 Departments under the said Ministry as at 31 December 2012. Details are shown below.

<u>Ministry/ Department</u>	<u>Balance as at 31 December 2012</u>
	<u>Debit</u>
	Rs.
Ministry of Mass Media and Information	213,546
Department of Government Information	292
Department of Government Printer	<u>24,289,147</u>
	<u>25,502,985</u>
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##### (b) General Deposits Account

The total of the balances of General Deposits Accounts of the Ministry and the 02 Departments under the Ministry as at 31 December 2012 amounted to Rs.143,773,262. Details are shown below.

<u>Ministry/ Department</u>	<u>Account No.</u>	<u>Balance as at 31<sup>st</sup> December 2012</u>
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		Rs.
Ministry of Mass Media and Information	6000/0000/00/0015/35	72,186,938
Department of Government Information	6000/0000/00/0011/0580	9,264,399
	6000/0000/00/0015/0092	21,734,357
Department of Government Printer	6000/0000/00/015/0192	<u>40,587,568</u>
		<u>143,773,262</u>
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## **Part II**

### Detailed Report relating to each Appropriation Head

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#### 01. Appropriation Head 122 – Ministry of Mass Media and Information

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##### 1.1 Scope of Audit

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The audit of the Appropriation Account including the Financial reports reconciliation statements, books, registers and other reports of the Ministry of Mass Media and Information for the year ended 31 December 2012 was carried out under the provisions of Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. The management audit report for the year under review was issued to the Secretary to the Ministry on 02 September 2013. Audit observations comments and findings on the accounts and reconciliation statements are based on review of the accounts and reconciliation statements presented for audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide in audit coverage as possible within the limitations of staff, other resources and time available to me.

##### 1.2 Responsibility of the Chief Accounting Officer on the Accounts and the Reconciliation Statements

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The responsibility of the Chief Accounting Officer is to maintain, prepare and fairly present the Appropriation Account and Reconciliation Statements in accordance with Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, public Finance and Administrative Regulations. This responsibility includes planning, implementation and maintenance of internal control systems so as to prepare and fairly present the accounts and reconciliation statements free of material misstatements arise due to frauds or errors.

##### 1.3 Audit Observations on Accounts and Reconciliation Statements

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It was observed that the Appropriation Account and the Reconciliation Statements of the Ministry of Mass Media and Information had been satisfactorily prepared in accordance with the financial reports and books as at 31 December 2012, except for the common observations appearing in (a) to (d) of this paragraph and the main audit observations appearing in paragraphs 1.4 to 1.14 shown below.

(a) Budget Variations  
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- (i) The entire net provision of Rs.33,400,000 made for 02 items of expenditure had not been utilized
- (ii) Excessive provisions had been made for 04 items of expenditure and due to this the savings after utilization of provisions represent percentages ranging 23 per cent to 82 per cent of the net provisions relating to the relevant item of expenditure.

(b) General Deposits Account  
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- (i) Action had not been taken in terms of Financial Regulation 571 in respect of deposits amounting to Rs.230,622 for over 02 years.
- (ii) The total tax income recovered for the year 2012 in respect of television programmes imported amounted to Rs.81,999,587 and of this, a sum of Rs.69,879,747 had been retained in the general deposits account even as at end of the year under review, without being invested.

(c) Reconciliation Statement of the Advances to Public Officers Account  
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Outstanding Loan Balances  
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According to the accounts presented, there were loan balances amounting to Rs. 62,588 outstanding for 04 years and Rs.7,907 outstanding for over 05 years as at 31 December 2012 due to vacation of post. Action is being taken to file a court case to recover the sum of Rs.62,588 and the balance amount is being recovered from the sureties.

1.4 Good Governance and Accountability  
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1.4.1 Corporate Plan  
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According to the Letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to the Ministries, Chief Secretaries of the Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, the Ministry, at the beginning of the year should prepare a corporate plan at least for 03 years, from 2010 onwards. However, the said plan had not been prepared even by 31 December 2012.

1.4.2 Annual Action Plan

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The Ministry should prepare an annual action plan from year 2010 on wards according to the corporate plan prepared in terms of the letter of the Director General of Public Finance shown in paragraph 1.4.1 above. However , an action plan for the year under review had been prepared and submitted on 14 May 2013 without preparing a corporate plan.

1.4.3 Annual Procurement Plan

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The annual procurement plan in terms of the National Budget Circular No.128 dated 24 March 2006 had not been prepared even by 31 December 2012.

1.4.4 Annual Performance Report

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An examination of the performance report for the year 2012 presented on 23 July 2013 revealed the following matters.

- (a) Income earned by providing facilities for the cinema industry through the Ranmihithenna National Tele-Cinema Park during the year 2012, the expenditure on maintenance of it or its progress had not been included in the performance report.
- (b) Recovery of tax on teledramas, films and commercial programmes imported and televised is a key function of the Ministry. Nevertheless, the tax revenue received from performance of the above, number of programmes taxed, number of programmes prohibited had not been mentioned in the performance report.

1.4.5 Implementation of the Audit and Management Committees

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Audit and Management Committee meeting in consolidation with the Progress Review Meetings at Ministry level had been held twice for 08 out of the 12 institutions under the Ministry and only once for 04 institutions for the year 2012.

## 1.5 Assets Management

### (a) Conducting of annual Verification of Goods

The following observations are made

- (i) Both the Ministry and the Rupavahini Training Institute had not balanced the Inventory Register and the officers of the Board of survey had not ensured the correctness of the book balances by checking the relevant registers at the annual verification of goods and ensure that the Inventory Registers had been checked by them at the end of each Financial year in terms of F.R.754.
- (ii) At the establishment of the Rupavahini Training Institute under the Ministry of Mass Media in 2011 assets of 451 categories which were under 19 Divisions of the Sri Lanka Foundation and which should have been recorded as fixed assets had not been correctly identified and entered in the registers.

### (b) Assets given to Outside Parties

Twenty three mobile telephones given to the staff from 2007 to 2011 had been returned and of this 08 telephones had been vested with other Ministries and institutions contravening the instructions of Public Administration Circular No.2/99 dated 26 February 1999. Further, documents to confirm the take-over of 05 out of 08 telephones had not been made available for audit.

### (c) Balances Receivable

Tax revenue in arrears amounting to Rs.20,414,445 was due for over 03 years as at 31 December 2012 in respect of 03 television channels. Surcharges recoverable on the above outstanding tax revenue as at 31 December 2012 amounted to Rs.9,260,309.

The sum of Rs.2,850,000 due from 01 channel had been paid in year 2013; but, the relevant surcharge of Rs.2,451,000 had not been recovered even by November 2013.

1.6 Non-Compliances

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Non-compliance with Laws, Rules, Regulations etc.  
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An instance of non-compliance with the provisions of laws, rules and regulations was observed at sample audit checks as shown below.

Reference to Laws, Rules

and Regulations

Circulars of the Presidential Secretariat

Non-compliance

Paragraph 3:1 of the Public Expenditure Circular No. CA/1/17/1 dated 14 May 2010	-	Although the maximum number of vehicles that can be assigned for the use and for the security purposes of the Minister is 03; 07 vehicles had been used.
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1.7 Weaknesses in Implementation of Projects

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According to the Agreement of Understanding entered into at Rs.2,530,000 with an outside institution on 19 April 2012 for the preparation of a documentary programme on the Ranmihithenna Tele-Cinema Park and the development of the surrounding area; 1,000 copies of DVDs should be provided to the Ministry before 10 May 2012. A 20 per cent advance amounting to Rs.506,000 had been paid for the above in contrary to the Financial Regulations. This money had been recovered after 09 months on 17 January 2013 due to non-performing of the task and the project had not been completed even by 16 August 2013.

1.8 Performance

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The observations on the progress of the Ministry according to the annual estimates and the action plan for the year 2012 are shown below.

(a) Key Functions Not Adequately Carried out

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- (i) Forty three rooms had been constructed under 03 types to provide lodging facilities for the persons participating in filming in the Ranmihithenna National Tele-Cinema Park and its utilization was very



low such as 3per cent, 7 per cent and 13 per cent. Further, a studio had been installed for films and tele - dramas, but no income had been earned by this during the year 2012.

- (ii) According to section 6(1) of the Finance Act No.11 of 2006, tax exemption can be given for qualitative films and tele-dramas which suit for the Sri Lankan life-style. Tax exemptions had been given for 610 out of 1462 imported tele-dramas and films telecast during the year 2012.

(b) Planning

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 Non-adherence with the Annual Action Plan  
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Although it had been planned under the Annual Action plan for year 2012 to enact a separate act for the Ranmihithenna National Tele-Cinema Park; an act had not been passed even by July 2013.

1.9 Deficiencies in Maintenance of Bank Accounts Adjustment of Balances

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 An analysis of adjustments shown in the Bank Reconciliation Statements prepared by the Ministry of Mass Media and Information for the month of December 2012 revealed the following matters.

Description of the Adjustment	Age Analysis		Total
	over 06 Months and less than of year	over 01 year and less than 03 years	
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	Rs.	Rs.	Rs.
(i) Unrealized deposits	160,977	34,625	195,602
(ii) Cheques issued but not presented for payment	150,273	-	150,273
(iii) Unidentified debits	135	20	155
(iv) Unidentified credits	4,217	12,809	17,026

#### 1.10 Transactions of Contentious Nature

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Certain transactions carried out by the Ministry were of contentious nature. The details of few such transactions revealed at the sample checks are shown below.

- (a) Since year 2010, applications are not issued to all the persons applying for licenses to begin private channels, and therefore, the opportunity for an independent person or an institution for applying for licenses had been limited. However, 08 instances were observed where licenses had been issued without obtaining the consent of the Rupavahini/Broadcasting Corporation in terms of the provisions of the Acts of the said Corporations. Further, 03 licenses had been issued during 2012 without obtaining confirmation to prove that a license has been obtained under section 17 of the Sri Lanka Telecommunication Act to conduct a television centre operates through cable television or internet as per paragraph 4 of the Gazette Notification No.1669/25 dated 03 September 2010.
- (b) A Buddhist monk had been appointed for a Buddhist Consultant and coordinator post with effect from 01 October 2010 and the period of appointment had not been mentioned. The Cabinet approval had not been obtained for this appointment further, the Ministry had spent a sum of Rs.167,160 on fuel and a sum of Rs.758,073 for maintenance for the year 2012 in respect of the cab allocated for the monk.
- (c) The agreement period of the Defender Jeep obtained from a private company on hire basis had been lapsed on 27 June 2011. But, a sum of Rs.289,970 had been spent for repairs done from October 2011 to December 2012. This motor vehicle is being used by the Ministry even by 17 August 2013.
- (d) Five hundred computers valued at Rs.30,154,000 had been purchased during 2011 subject to the covering approval of the Tender Board considering as an urgent purchase. However, 179 computers had remained in the institute even by August 2013 without being distributed properly.

#### 1.11 Irregular Transactions

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Certain transactions carried out by the Ministry were irregular and a few such instances observed are shown below.

Transactions without Authority  
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- (a) According to Section 5.3 of the Circular Letter No.CF/1/17/1 dated 14 May 2010 of the Presidential Secretariat relating to the management of public expenditure; payment of monthly telephone bills of an Honorable Minister or a Deputy Minister should be limited to Rs.10,000 altogether Rs. 240,000 for the year. But, a sum of Rs.616,755 had been paid in excess of these limits in respect of the telephone bills of the official residence and mobile telephone bills.
- (b) During 2012, 17 employees of 02 corporations under the Ministry had, been attached to the Ministry and assigned with Ministers duties and the State Printing Corporation and the Sri Lanka Rupavahini Corporation had spent a sum of Rs.3,070,461 and Rs.3,743,720 respectively had on the above. The duties attended by these employees and the places of work had not been mentioned and their attendance also had not been recorded.
- (c) A total sum of Rs.1,643,167 had been paid as electricity bill of the Minister during the year under review and the monthly electricity bills were within a range of Rs.76,162 to Rs.177,581.

1.12 Uneconomic Transactions  
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Details of an uneconomic transaction revealed at sample checks are shown below.

Sri Lanka Navy personnel had been assigned with the security at the main gate of the Ranmihithenna National Tele-Cinema Park and issuing entrance tickets. Meanwhile a private institution had been assigned with the security tasks and 18 security officers had been employed and a sum of Rs.2,658,437 had been paid for it during 2012. It was observed that this type of fruitless expenses had contributed towards the excess of expenditure over income of the tele-cinema village.

### 1.13 Management Weaknesses

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The following observations are made.

- (a) A responsible officer or the subject clerk is not reconciling the serial Nos. of the tickets handed over to the entrance and the serial Nos. of tickets sold with the revenue with a view to ensuring the correctness of the banked income from entrance tickets of Ranmihithenna. A shortage of Rs.99,305 was observed between the tickets issued and the income received.
- (b) The Secretary to the Ministry informed on 15 September 2011 that the main purpose of purchasing 02 Automatic Tape Recording Machines in year 2010 by spending a sum of Rs.2,710,099 from the tax revenue is to monitor the information relating to the collection of tax revenue and that the programmes and commercials broadcast without paying tax can not be find out after the occurrence of the event and that the defaulted payments can be minimized through this However, the machine had been handed-over to the Department of Information in year 2010 and only the television programmes telecast is monitored through the machine. No check is carried out to find out whether taxable commercials but not applied for are telecast.
- (c) Only temporary license had been issued since 1991 for operating private radio and television channels and a system had not been adopted to issue permanent license or to renew. Due to this, the channels continued their operations without subject to any supervision. The temporary license issued later includes conditions which were not existed earlier and therefore it was observed that there are problems in taking firm decisions.
- (d) A tax had been enforced in terms of section 6(1) of the Finance Act.No.11 of 2006 for telecasting in this country, the programmes produced in foreign countries with the objective of promoting the Sri Lankan life-styles. But, the programmes telecast through the television channels operated under 15 licenses based on cables, satellites, internet and telephones are not liable to pay this tax. Therefore, it is observed that the objectives of enforcing the relevant tax are not achieved within the country. Further, it was agreed with the Department of Public

Finance in year 2009 to establish a fund to credit this tax revenue collected. Nevertheless it had not been done even by July 2013.

- (e) Ranmihithenna National Tele-Cinema Park situated in a land to the extent of 235 Acres and according to the revenue reports made available, the income received from cultivations of the land amounted to Rs.41,062 only. There was no information with the Ministry about the extent of land cultivated, the expenditure incurred for the cultivation value and the quantity of crop items given to the canteens and the details of sales. Therefore, it was observed that there is no supervision on the above.
- (f) The total of the income from filming, providing room facilities, sale of tickets and other income of the Ranmihithenna National Tele-Cinema Park during the year 2012 amounted to Rs.8,929,977 and the expenditure incurred during the year amounted to Rs.48,528,779. One film and 02 tele-dramas only had been filmed and therefore, the Government had to suffer a loss of Rs.39,598,802. The income of this also had been credited to the general deposits account instead of being credited to the Government revenue.
- (g) The Rupavahini Training Institute operated as a Division of the Sri Lanka Foundation had been acquired by the Ministry of Mass Media in terms of the Gazette Notification No.1657/20 dated 30<sup>th</sup> April 2010 and it had not been properly incorporated even by year 2013. A post of Chief Executive had been approved and 06 officers of the Ministry had been temporarily attached for this. An income of Rs.15,717,077 had been earned for the year 2012 and revenue expenditure amounting to Rs.19,427,399 had been incurred excluding the salaries of the 06 officers attached to this resulting a net loss of Rs.3,710,322. Capital expenditure amounting to Rs.8,562,206 also had been incurred from November 2011 to date.
- (h) Rupavahini Training Institute had not been formally established as a separate entity and the income earned amounting to Rs.15,717,077 and expenditure amounting to Rs.10,682,695 incurred out of it without approval had not been included under the Ministry accounts or state accounts for the year under review.
- (i) The Code of Mass Media Ethics proposed to be completed during the year 2012 had not been completed even by 30 July 2013.

- (j) Establishment of the National Broadcasting Authority had been commenced in May 2009 for regulating the activities of all the existing electronic media channels by introducing an act for good media practices and etiquette on media usage. But, it had not been established even by July 2013.

#### 1.14 Human Resources Management

- (a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	No.of Vacancies	Excess Cadre
(i) Senior Level	14	14	00	-
(ii) Tertiary Level	03	02	01	-
(iii) Secondary Level	97	86	11	-
(iv) Primary Level	33	32	01	-
(v) Others (Casual/	00	01	00	01
Temporary/Contract Basis)	---	---	---	---
Total	147	135	13	01
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The following observation is made.

Action had not been taken to fill 13 vacancies as at end of the year under review.

## 02. Appropriation Head 210 – Department of Government Information

### 2.1 Scope of Audit

The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other reports of the Department of Government Information for the year ended 31 December 2012 was carried out under the provisions of Article 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka. The management audit report for the year under review was issued to the Head of the Department on 31 July 2013. Audit observations, comments and findings on the

accounts and reconciliation statements are based on review of the accounts and reconciliation statements presented for audit and substantive tests of samples of transactions. The scope and extent of such review and test were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Accounts and the Reconciliation Statements.

-----  
The responsibility of the Chief Accounting Officer/ Accounting Officer is to maintain prepare and fairly present the Appropriation Account, and Reconciliation Statements in accordance with Article 148, 149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, Public Finance and Administrative Regulations. This responsibility includes planning, implementation and maintenance of internal control systems so as to prepare and fairly present the accounts and reconciliation statements free of material misstatements arise due to frauds or errors.

2.3 Audit Observations on Accounts and Reconciliation Statements

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It was observed that the Appropriation Account and the Reconciliation Statements of the Department of Government Information had been satisfactorily prepared in accordance with the financial reports and books as at 31<sup>st</sup> December 2012; except for the common observations appearing in (a) to (d) of this paragraph and main audit observations appearing in Paragraph 2.4 to 2.13 shown below.

(a) Non-maintenance of Registers and Books and Records

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Sample checks revealed that the Department had not maintained the following registers.

Registers of fixed assets had not been maintained according to the Treasury Circular No.842 dated 19 December 1978.

(b) liabilities onfall in excess of the provisions

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According to Financial Regulation 94 (1) liabilities cannot be onfall in excess of the provisions in the annual estimates. Nevertheless, liabilities amounting to Rs.3,143,831 in excess of the provisions had been onfall in respect of 21 items of expenditure.

(c) General Deposits Account

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Action had not been taken in terms of Financial Regulation 571 in respect of 03 deposits amounting to Rs.11,463,990 over 02 years.

(d) Advances to Public Officers Accounts

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(i) According to the accounts presented, the loan balance outstanding for over to years as at 31 December 2012 amounted to Rs.261,272 and it represents dues from a deceased officer and 03 officers vacated their posts. Follow –up action on recovery of these balances was weak.

(ii) Action had not been taken in terms of Public Enterprises Circular No.118 dated 11 October 2004 to recover the loan balance of Rs.301,446 due from an officer went on transfer in May 2010 and it had been included under the individual balances of the officers in service of the Department.

(iii) The loan instatement only had been recorded in the Members Loan Register which should be maintained in terms of the provisions relating to granting loans.

2.4 Good Governance and Accountability

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(a) Annual Procurement Plan

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An annual procurement plan had not been prepared in terms of National Budget Circular No.128 dated 24 March 2006.

(b) Annual Performance Reports

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According to Public Finance Circular 402 dated 12 September 2002 and No.402 (1) dated 20 February 2004 ,the Department should prepare the annual performance report within 150 days after the close of the financial year and tabled in the Parliament with a copy to the Auditor General. However, the performance report for the year under review had been tabled in the Parliament in August 2013.



(c) Internal Audit

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It was informed that the internal audit of the Department is carried out by the Internal Audit Division of the Ministry of Mass Media and Information. Seven audit queries had been issued for the year 2012.

2.5 Assets Management

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(a) Idle and Underutilized Assets

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Sample checks revealed that certain assets had remained idle or underutilized as described below.

- (i) According to the agreement entered into between the supplier and the Department of Information on 10 December 1999; machines valued at French Franks 9,150,000 (Euro1,442,601 equaling to Rs.102.2 million) had been installed in year 2003 under the credit grants received from the Government of France on an interest rate of 2.1 per cent without carrying out a proper feasibility study. These machines remained idle without proper maintenance even up to 31 July 2013.
- (ii) The above credit grant had been obtained in 04 parts and Euro 404,590 of the loan and interest amounting to Euro 308,352 had been paid up to 25 July 2013. Euro 172,295 in excess had been paid by July 2013 at an interest rate of 6.13 per cent for 02 categories of loan i.e. NO.2000029 and No.2000061; in contrary to the interest rate of 2.1 percent stated in the agreement. (As per information obtained from the Department of External Resources.) A three person committee had been appointed in year 2010 to solve this problem and the committee had recommended to submit a cabinet Memorandum to sell through calling for competitive bids. But, action had not been taken accordingly. No action had been taken to identify the persons responsible for the loss suffered by the Government.
- (iii) A computer software had been introduced in year 2008 at a cost of Rs.600,000 for preparing sales invoices, facilitating consumers to identify stocks and recording stocks. However, this computer software had not been used for the intended purposes other than preparing sales invoices even by July 2013.

(b) Conducting Annual Verification of Goods  
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The following observation is made.

A verification of books at the Government Publication Bureau had not been carried out in respect of the year 2012 in terms of Financial Regulation 756.

(c) Balances Receivable  
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The balances of accounts receivable from outside parties as at 31 December 2012 amounted to Rs.3,255,876 and the position of recovery of the said amount was unsatisfactory

2.6 Non-compliance  
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Non-compliance with Laws, Rules, Regulations etc.  
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Instances of non-compliance with the provisions of laws, rules and regulations observed at sample audit checks are described below.

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
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(a) Financial Regulations

(i) Financial Regulations.371(2)	763,900	Although ad hoc sub imprests should be given only to the staff officers, a sum of Rs.763,900 advances had been given to non-staff officers at 36 instances.
(ii) Financial Regulations.371(2)(b)	93,400	Subimprests should be settled immediately after the task is completed. But the settlement of subimprests amounting to Rs.93,400 given had been delayed for 43 to 98 days in respect of 04 instances.

- |                                   |   |   |
|-----------------------------------|---|---|
| (iii) Financial Regulations 454   | - | Stock books had not been balanced and the balance had not been carried forward .  |
| (iv) Financial Regulations 752    | - | All the entries in the inventory should be supported by an inventory voucher. But, there was no documentary evidence forwarded to the Audit, to support the goods received. |
| (v) Financial Regulations.802 (8) | - | A register including the details such as the date of purchase of the vehicle, the price, repairs, idle period etc had not been maintained.                                  |
| (vi) Financial Regulations 1645   | - | Vehicle log books had not been updated with regular entries.  |

## 2.7 Performance

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Observations on the progress of the Department as compared with the Annual Estimates for 2012 and the corporate plan are shown below.

### Planning

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Annual action plan had not been prepared in terms of Paragraph 2.4.2 of the Public Finance Circular No.402 dated 12 September 2002 and as such, the performance report could not be compared with the annual action plan.

- (a) Financial provisions amounting to Rs.27,000,000 had been allocated for 25 activities as per action plan. But, the activities proposed to be completed had not been mentioned quantity-wise as per the above circular in order to evaluate the performance.
- (b) The planned activities relating to provisions amounting to Rs.3.8 out of the provisions amounting to Rs.94 million had not been implemented.

## 2.8 Transactions of Contentious Nature

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Certain transactions carried out by the Department were of contentious nature. The details of such transaction observed at sample checks are shown below.

The Drink Stall in the building in which the stores of the Government Publication Division at Colombo Fort is situated had been leased out to an outside party; but, the lease rent had not been recovered by the Department since 2004. Further, action had not been taken even up to date to recover electricity bills and rates amounting to Rs.898,780 due to the Department.

## 2.9 Irregular Transactions

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Certain transactions carried out by the Department were irregular. A few such instances observed are shown below.

### 2.9.1 Construction of the New Media Centre

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A total sum of Rs.196,080,674 had been paid to a private institution during the year under review in respect of the construction which was planned to be Rs 200,763,112 of the New Media Centre of the Department.

The following matters were observed in this connection.

- (a) The final bill had been paid without obtaining a completion certificate in terms of paragraph 8.12.2 of the Government Procurement Guidelines dated 08 June 2011 and without obtaining the final certificate which should be given by the Consultancy Company that the building has been taken-over after rectifying the defects identified by the Department and even without the quality of the work being independently examined by the Head of the institution in terms of Paragraph 8.12.1 of the above.
- (b) The Auditorium (700m<sup>2</sup>) of the New Media Centre had been constructed deviating from standards and the consultancy company had taken over the building on 02 November 2011 and as such the following defects had been observed even before lapse of 06 months from the date of payment. But, the defects had not been rectified even by 30 November 2013.
  - (i) While supplying electricity to the Auditorium, sub-standard wires had been used instead of 03 core wires and therefore, the electricity system cannot be used properly.
  - (ii) The air-condition system installed at a cost of Rs.11,000,000 is not operating for the electricity and sound supply divisions of the Auditorium and it was affected to the life-time of the valuable equipment installed there.

- (iii) Of the 02 balconies constructed on both sides of the stage of the Auditorium, stairs had not been constructed to enter the right side balcony.
  - (iv) The stage of 60m<sup>2</sup> constructed at a cost of Rs.402,858 had been affected by small insects due to non-use of approved timber or non-application of wood preservatives. Therefore it was not in a safe condition.
  - (v) The walls had not been constructed up to the standards of sound proof and as there is no proper sound proof; the expected objective is not achieved.
  - (vi) The walls of both sides of stage had not been constructed up to the standards and therefore over 75m<sup>2</sup> of the walls had been attacked by termites.
- (c) Reports from the Colombo Municipal Council and a Chief Fire Fighting Officer should be obtained for the emergency exits of the new building. But without obtaining such reports a sum of Rs.410,000 had been paid for 04 sub-standard fire exits on the recommendations of the consultancy company.
- (d) At the examination of expenditure incurred in respect of the construction and as agreed at the sample physical checks carried out at the work-site by the audit officers with the officers of the consultancy company it was observed that a sum of Rs.15,436,872 had been over-paid.
- (e) Tenders had been submitted for electrical installation of 400V capacity for the New Media Centre of the Department and 600V capacity had been installed. It was observed in audit that the joints of the cable used for it had been done deviating from the standards mentioned in the bill of quantities further, it has been stated in the bill of quantities that the above purchase should be done on a special order and on the recommendation of the consultancy company. However, the said order or the purchase invoice had not been submitted for audit and an abnormally higher price than the existing market price i. e. Rs.12,059,320 had been paid to the contractor.
- (f) A physical check carried out with the officers of the Engineering Corporation which had provided consultation revealed that a sum of Rs.15,436,872 had been over-paid in respect of the construction of the New Media Centre at a contract value of Rs.315.4 million.

- (g) We were not able to satisfactorily vouch in audit of this construction due to non-submission of the documents requested are the register of sub-contracts, guarantee certificates (Electrical goods, Air conditioners, Fire safety doors) Bid documents submitted by the selected tenderer, unopened copies of the bid documents of all the tenderers, agreement entered into in respect of demolishing and removing the old building.

#### 2.9.2 Purchasing of Furniture for New Media Centre

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Five institutions had submitted tenders for purchase of furniture to the New Media Centre and the furniture had been purchased at Rs.22,860,841 after selecting the supplier who had quoted the lowest prices.

The following matters were observed in this connection.

- (a) However, 11 out of 23 samples checked were not according to the models agreed and the goods had been supplied at will of the supplier. Even with these differences payments had been made without checking the goods by a responsible officer contrary to paragraph 8.12.1 and 8.12.2 of the Procurement Guidelines and also without a recommendation of the consultancy company to whom consultancy charges amounting to Rs.1,285,065 had been paid.
- (b) A sum of Rs.21,006,300 had been paid to a private institution on 30 November 2011 and 30 December 2011 for purchase of furniture and of these deficiencies in respect of goods valued at Rs.2,083,800 were pointed out by management audit report for the year 2011. The Departmental Committee appointed on the following matters had revealed overpayments amounting to Rs.1,037,200 i.e a sum of Rs.211,200 for four seater sofas purchased without the recommendations of the consultancy company and a sum of Rs.826,000 for Lobby chairs and the above overpayment had been deducted from the retention money. Therefore, the purpose of keeping of retention money is not served.
- (i) It had been agreed at the bidding to supply 15 four seater sofas for Rs.1,584,000 at Rs.105,600 per each and a sum of Rs.844,800 had been paid for 08 four seater sofas. However, four seater sofas had not been supplied and instead 08 three seater sofas had been supplied at the same price deviating from the specifications (using artificial leather instead of real leather) laid in the bill of quantities.

- (ii) It had been agreed to supply 46 four seater lobby chairs for Rs.1,357,000 at Rs.29,500 per each. But, deviating from the specification laid in the bill of quantities ; 07 three seater chairs and 08 two seater chairs only had been supplied. Payments had been made for 42 seats considering lobby seat as parts and as such an overpayment of Rs.973,500 was observed. These seaters had been corroded even at the time of audit examination. No action had been taken in respect of this.
- (c) According to the directives of 1.2.1 of the Government Procurement Guidelines, purchases should be done in a manner economically and qualitatively favourable to the Government and for that contracts can be consolidate or split in terms of 4.4 of the Procurement Guidelines. Nevertheless, the Department had not taken action to compare the prices as above even though the Government could have earn a financial gain of Rs.2,249,772 for 35 items.
- (d) A physical audit examination carried out with the assistance of the consultancy company revealed an overpayment of Rs.3,522,700 for 12 items which had deviated from standards and specifications agreed and it was also observed that 03 categories of goods valued at Rs.2,568,000 supplied deviating the specifications agreed were not in usable condition.
- (e) The original or the duplicate of the bid documents for Furniture purchase of the company had not been submitted to audit.

### 2.9.3 Other Procurements

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- (a) A commitment had been entered to purchase 13 computers and 13 U.P.S. valued at Rs.1,312,220 and of this computers valued at Rs.928,628 had not been received by the Department even by 23 May 2012. The loss suffered by the Government on the above transaction could not be recovered because a performance bond in terms of Section 5.4.10(b) of the Procurement Guidelines had not been obtained and a contract agreement had not been entered into in terms of Paragraph 8.9.1 (a).
  - (b) Action had been taken contravening paragraph 7.8, 7.9.1, 7.11.1 and 8.9.1 of the Procurement Guidelines while purchasing cameras and accessories valued at Rs.1,116,000. Reasons for taking a decision to purchase at a higher price also had not been explained.

2.10 Management Weaknesses

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Unreplied Audit Queries  
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Replies had not been submitted even by 30 July 2013 for 06 audit queries issued to the Department during the year under review. The value of quantifiable transactions relating to those audit queries amounted to Rs.534,260,873.

2.11 Human Resources Management

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(a) Approved Cadre and Actual Cadre  
-----

The position of cadre as at 31 December 2012 was as follows.

Category of Employees	Approved cadre	Actual cadre	No.of vacancies	No.of Excesses
-----	-----	-----	-----	-----
(i) Senior Level	11	06	06	01
(ii) Tertiary Level	16	06	10	-
(iii) Secondary Level	225	189	41	05
(iv) Primary Level	52	46	06	-
(v) Others – Casual	-	04	-	04
- Temporary	20	14	06	-
	-----	-----	-----	-----
Total	324	265	69	10
	=====	=====	=====	=====

The following observation is made.

Action had not been taken to fill 69 vacancies as at end of the year under review.

(b) Human Resources Released to Other Parties  
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Even though there were 69 vacancies, 08 officers of the Department had been released to other Departments/Ministries and the Department had spent a sum of Rs.2,100,107 as salaries and allowances of 06 of the above officers during 2012.

03. Appropriation Head 211- Department of Government Printer  
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3.1 Scope of Audit  
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The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other reports of the Department of Government Printer for the



year ended 31 December 2012 was carried out under the provisions of Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. The management audit report for year under review was issued to the Head of the Department on 02 October 2013. Audit observations, comments and findings on the accounts and reconciliation statements are based on a review of the accounts and reconciliation statements presented for audit and substantive 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.

3.2 Responsibility of the Chief Accounting Officer on the Accounts and the Reconciliation Statements.

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The responsibility of the Chief Accounting Officer is to maintain, prepare and fairly present the Appropriation Account and Reconciliation Statements in accordance with Article 148,149,150 and 152 of the constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, Public Finance and Administrative Regulations. This responsibility includes planning, implementation and maintenance of internal control systems so as to prepare and fairly present the accounts and reconciliation statements free of material misstatements arise due to frauds or errors.

3.3 Audit Observations

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It was observed that the Appropriation Account, Revenue Account and the Reconciliation Statements of the Department of Government Printer had been satisfactorily prepared in accordance with the financial reports and books as at 31 December 2012; except for the common observations appearing in (a) to (e) of this paragraph and main audit observations appearing in paragraph 3.4 to 3.13 shown below.

(a) Presentation of Accounts

-----  
The Department had to be submitted the Reconciliation Statement on Advances to Public Officers accounts of Item No. 21101 to audit as at 31 March 2013. But it was submitted as at 16 May 2013 after delaying 1 1/2 months.

(b) General Deposits Account

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Action had not been taken in terms of Financial Regulation 571 in respect of deposits amounting to Rs.370,453 over 02 years.

(c) Revenue Account

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According to the Revenue Account presented, revenue in arrears amounted to Rs.612,549,490 and this arrears related to time periods ranging 1 to 23 years. Follow-up action on recovery of revenue in arrears was poor.

(d) Advances to Public Officers Account  
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Outstanding Loan Balances  
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According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account – Item No.211011, the total of the balances outstanding for over 02 years amounted to Rs.6,259,450. Follow-up action on recovery of outstanding balances was poor.

3.4 Good Governance and Accountability  
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3.4.1 Corporate Plan  
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According to the Letter No.PF/R/2/2/3/5 (4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to the Ministries, Chief Secretaries of the Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities; the Department at the beginning of the year should prepare a corporate plan at least for 03 years from 2010 onwards. However, the said plan had not been prepared even by 31 December 2012.

3.4.2 Annual Procurement Plan  
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The annual Procurement Plan had not been prepared in terms of National Budget Circular No.128 dated 24 March 2006 even by 31 December 2012.

3.5 Assets Management  
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(a) Idle and Underutilized Assets  
-----

Sample audit checks revealed that certain assets had remained idle or underutilized as shown below.

Type of Asset -----	No.of Units -----	Idle or Underutilized Period -----
Komori Machine	01	05 years
PO 33 Machine	01	06 years
Pollar cutter	01	05 years

(b) Conducting Annual Verification of Goods  
-----

The following observations are made.

According to Public Finance Circular No.441 dated 09 December 2009 as amended by letter No.P/F/ Board of survey/01 dated 17 December 2010 of the Director General of Public Finance the annual verification of goods relating to 31 December 2012 should be carried out before 31 March 2013 and the reports should be submitted to the Auditor General. However, they had not been submitted even by 20 December 2013. The last verification of goods had been conducted in respect of year 2011.

(c) Physical examinations  
-----

A physical check was carried out on 10 September 2013 based on the vehicle list prepared on 16 August 2012. It was observed at this check that 06 vehicles were not available in the Departmental premises and those vehicles were not performing any travel at the time of examination.

(d) Unsettled Liabilities  
-----

The unsettled liabilities less than one year amount to Rs.6,422,206 as at 31 December 2012 and a sum of Rs.2,482,175 of the total liabilities had not been included in the liabilities shown in the Appropriation Account.

3.6 Non-Compliance  
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Non-Compliance with Laws, Rules, Regulations etc.  
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Instances of non-compliance with the provisions of laws, rules, regulations etc. Observed at sample audit checks are analyzed below.

Reference to Laws, Rules, and Regulations -----	Value ----- Rs.	Non-Compliance -----
(a) Cabinet Decision ----- Cabinet Decision No. 990/1981 dated 23 December 1981	-	The Director Establishments had requested to implement a new incentive scheme so as to cover all the activities instead of various allowances paid to the staff. Nevertheless, without acting accordingly allowances had been paid to the staff irregularly for up-lifting the quality of the products.

(b) <u>Establishments Code of the Government of the Democratic socialist republic of Sri Lanka</u> -		The normal office hours of the public officers are 8.30a.m to 16.15p.m on all working days. But it was observed that the day shift of the Department on working days is 8.3a.m to 15.45p.m and the night shift is 20.30p.m to 3.15a.m.
(i) Paragraph 1.1 of chapter XXVIII		
(ii) Paragraph 3.2 of chapter VIII	-	Overtime can be paid only for the duties specifically assigned. But, contravening this, overtime had been paid to an officer of the Department for 106 1/4 hours.
(iii) Paragraph 1.2 of chapter IX	319,300	Allowances had been paid to three officers irregularly for supervision of the reconstruction of roof and renovation of the Department, welfare, buildings, machines and other allowances, in addition to the salary of the permanent post, without obtaining the prior approval of the Director, Establishments. Further, relevant information had not been attached to the payment voucher and the payments had been made without checking the calculations.
(c) <u>Financial Regulations of the Government of the Democratic socialist republic of Sri Lanka</u>		
(i) Financial Regulations. 110	-	A Register of Losses had not been maintained.
(ii) Financial Regulations.371(5)	1,458,291	Payments had been made at the time of offering quotations for supply of goods, before receiving the goods to the stores.
(d) <u>Public Administration Circulars</u>		
Paragraph 03 of Circular No.07/2012 dated 26 March 2012 and Circular No.8/97 dated 03 February 1997.	782,100	(i)The officers entitled for overtime are not entitled for special allowances i.e an additional allowance comparable to combined allowance. However, a special allowance in addition to the overtime payment had been paid to the

officers of the Department who had participated in Deyata Kirula exhibition.

- (ii) Overtime had been paid in excess of the maximum limit for long periods on the recommendation of the Head of the Department without the approval of the Secretary to the relevant Ministry.
- (ii) Monthly overtime had been paid to an officer for 96 to 228 hours per month during the year under review.
- (iii) A list of the officers who do overtime more than 20 hours per month had not been submitted to the Ministry by the Department.
- (iv) Recommendations made in respect of overtime work had not been reviewed by the Head of the Department once in every 03 months.
- (v) Although financial transactions should be carried out in an economical manner, officers of the Department had been employed in an impractical way. For example; a sample check relating to one month revealed that 05 officers had been assigned with work for 35 to 86 hours per each officer continuously.

(e) Treasury Circulars

The letter No. PF/06/07/02/01 929,482 dated 24 June 2008 of the Deputy Secretary to the Treasury.

Revenue in arrears due from private institutions and 10 persons in respect of printing works had not been recovered for over 03 years.

(f) Policy planning and implementation Ministry Circulars

Letter No.PPI/Mp/FC/18 dated

Only forty liters of fuel had been approved for motor cycles for the post of

23 December 1991 of the Ministry of policy planning and implementation.

Parliamentary Coordinating Officer. Nevertheless, transport facilities had been obtained to travel to home.

3.7 Performance

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Observations on the progress of the Department according to the annual estimate for year 2012 and the action plan are shown below.

(a) Key Functions Not Adequately Fulfilled

-----

- (i) Out of the provisions made for year 2012 for training and development of employees involved in printing with a view to increasing efficiency in printing work; a sum of Rs.308,000 representing 77 per cent of the provision had not been utilized.
- (ii) Fines and demurrage had continuously been paid due to failure to print and deliver the school books on due date and due to non-compliance with the required specifications, and a sum of Rs.1,292,689 and Rs.3,662,309 respectively had been paid in year 2010 and 2011. Further, action had not been taken to print the school books on due date in terms of the agreements, even though a very less number of orders i.e 1.25 per cent of the overall order for books for the year 2012 had been received by the Department.

(b) Planning

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Non-compliance with the Annual Action Plan.

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- (i) According to the action plan, provision under item of expenditure was planned to purchase a Pallet Truck which is an essential item for carrying out the production activities efficiently of the Department. A sum of Rs.85,755,103 approximately representing 75 per cent of the provision under above item of expenditure was remained unspent , though it had not been purchased.
- (ii) A Ferporating comb Machine had been purchased exceeding the estimated value over 200 percent or more than an amount of Rs 450,000 without taking into consideration economy, efficiency, regularity and honesty as required by Financial Regulation 128 (1)(g).

3.8 Deficiencies in Operating Bank Accounts

Balances to be	Age Analysis			Total
	Over 06 months and less than 01 year	Over 01 year and less than 03 years	Over 03 years	
	Rs.	Rs.	Rs.	Rs.
(i) Deposits not realized	-	-	14,944	14,944
(ii) Cheques issued, but not presented for payment	13,158	15,156	1,072,783	1,101,097
(iii) Unidentified debits	-	18,950	262,162	281,112
(iv) Unidentified credits	-	15,385	400	15,785

Erroneous receipts amounting to Rs.548,888 which had not been included in the cash book had been included in the Bank Reconciliation Statement as unrealized receipts.

3.9 Transactions of Contentious Nature

The Department of Government Printer had spent a sum of Rs.2,214,358 for the Deyata Kirula Exhibition of 2012. The following matters were observed.

- (i) The relevant expenditure had been incurred without preparing and approving a cost estimate.
- (ii) Although a sum of Rs.836,563 had been spent for the preparation of the exhibition stall, decoration and purchase of necessary materials, the required materials and the quantities had not been estimated and as such quotations had not been called so as to make the most effective selection under a minimum cost.
- (iii) The bills or evidence to prove the money received by the relevant employee had not been attached in respect of reimbursements amounting to Rs.19,100 made as transport and entertainment expenses.

3.10 Irregular Transactions

Certain transactions carried out by the Department were irregular and a few such instances observed are shown below.

Deviation from the Procurement Guideline Procedures

The minimum bid had been rejected in purchasing equipment valued at Rs.591,304 for the canteen of the Department of Government Printer deviating section 7.7.1 of the Procurement Guidelines. As such, the Department had to incur an additional expenditure of Rs.62,101.

3.11 Management Inefficiencies

(a) Construction of the Entrance of the Department.

An expenditure of Rs.1,620,748 had been incurred for the construction of the entrance of the Department. The following observations are made in this connection.

Although it had been agreed with a private constructor to complete the work for Rs.900,000 a sum of Rs.1,620,748 had been spent to complete the work by the Department and as such a sum of Rs.720,748 had been spent more. The construction rules, regulations of the Institute of construction Training and Development had etc not been followed as there was no qualified officer in the Department to supervise construction works.

(b) Maintenance and Construction of Departmental Buildings

A sum of Rs.25,436,419 had been spent for maintenance and construction of Departmental buildings during 2011 and 2012. The following matters were observed in this connection.

- (i) Works on direct labour basis had been carried out contravening section 3.7 of the Procurement Guidelines.
- (ii) Job cards had not been prepared in respect of maintenance and construction works and the rough estimates prepared in respect of each work were not based on accepted building rates.
- (iii) The details of balance materials in respect of maintenance and constructions are not available and the said materials had been used for other works without any approval.
- (iv) Maintenance and construction works had been carried out exceeding the approved rough estimates. But approval had not been obtained for additional works.
- (v) There are no qualified Technical Officers in the Department in the field of preparation of building estimates and maintenance of constructions.



3.13 Human Resources Management

-----  
(a) Approved Cadre and Actual Cadre  
-----

The position of cadre as at 31 December 2012 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	No.of Vacancies
-----	-----	-----	-----
(i) Senior Level	36	16	20
(ii) Tertiary Level	08	03	05
(iii) Secondary Level	1,221	772	449
(iv) Primary Level	674	505	169
	-----	-----	-----
Total	1939	1296	643
	=====	=====	=====

The following observation is made.

Action had not been taken to fill 643 vacancies as at end of the year under review.

(b) Non-Compliance with Recruitment Procedures  
-----

According to the letter No.DMS/C/08/45 dated 17 May 2012, the post of Parliament Coordinating officer had not be been included in the approved cadre.