

**Appropriation Head 108 – Ministry of Postal Services and the Departments thereunder – Year 2012**

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This report comprises two Parts.

Part 1 - Summary Report on the accounts of the Ministry and the Departments thereunder

Part 2 - Detailed Reports relating to each Appropriation Head

**Part I**

Summary report on the Accounts of the Ministry of Postal Services and the Departments thereunder

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1. Department under the Ministry

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Head of Expenditure

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No. 308

Name of the Department

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Department of Posts

2. 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 the Department under the Ministry amounted to Rs. 8,705,989,000 and out of that a sum of Rs.8,568,197,717 had been utilized by end of the year under review. Accordingly, the net savings of the Ministry and the Department ranged between Rs. 114,599,436 and Rs.23,191,847 or 38.8 per cent and 0.27 per cent respectively of the total net provision. Details appear below.

Appropriation Head	Ministry/ Department	Net Provision as at 31 December 2012		Utilization as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
108	Ministry of Postal Services	82,359,000	213,071,000	75,582,446	105,248,118	6,776,554	107,822,882
308	Department of Posts	8,266,059,000	144,500,000	8,257,699,996	129,667,157	8,359,004	14,832,843
	Total	8,348,418,000	357,571,000	8,333,282,442	234,915,275	15,135,558	122,655,725

## 2:2 Revenue Account

### Estimated and Actual Revenue

The Department of Posts had estimated a sum of Rs.4,600,000,000 for Revenue Codes during the year 2012 and had collected revenue amounting to Rs.4,952,411,855. Accordingly, the revenue collected was 107.7 per cent of the estimated revenue.

Revenue Accounting Officer	Revenue Code	Estimated	Actual	Excess Collection	Percentage
		Rs.	Rs.	Rs.	
Postmaster General	20-01-02-00	4,600,000,000	4,952,411,855	352,411,855	7.7

## 2:3 Advance Accounts

### 2:3:1 Advances to Public Officers' Accounts

#### Limits Authorized by Parliament

The following limits authorized by Parliament for the Ministry and the Department thereunder had been complied with. Details are shown below.

Head	Item No.	<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
		Maximum Limits	Actual	Minimum Limits	Actual	Maximum Limits	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
108	10801	3,500,000	2,160,200	1,900,000	2,441,951	40,000,000	12,945,712
308	30801	600,000,000	572,265,376	480,000,000	593,326,906	1,975,000,000	1,682,238,522

#### 2:4 Imprest and General Deposits Accounts

##### (a) Imprest Account

The debit balances of the Imprest Accounts of the Ministry and the Department under the Ministry as at 31 December 2012 amounted to Rs.338,352,809. Details are as follows.

Ministry / Department	Debit balance as at 31 December 2012
	Rs.
Ministry of Postal Services	2,632,677
Department of Posts	335,720,132

##### (b) General Deposit Accounts

The balances of General Deposit Accounts of the Ministry and the Department thereunder as at 31 December 2012 aggregated Rs.305,371,277. Details are appear below.

Ministry/ Department	Account No.	Balance as at 31 December 2012
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		Rs.
Ministry of Postal Services	6000/0000/0015/0022/000	3,825,803
Department of Posts	6000/0000/00/0015/0162/000	48,144,232
	6000/000/0/00/0015/0172/000	253,401,242

## **Part II**

Detailed report relating to each Appropriation Head  
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1. Appropriation Head 108 - Ministry of Postal Services  
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1:1 Scope of Audit  
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The audit of Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Postal Services for the year ended 31 December 2012 was carried out in pursuance of 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 13 June 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements 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.

1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements  
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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statement in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public

Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observations  
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According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (g) and other major observations appearing in paragraphs 1:4 to 1:10 herein, the Appropriation Account and the Reconciliation Statement of the Ministry of Postal Services have been prepared satisfactorily.

(a) Presentation of Accounts  
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The Ministry had presented the following accounts for audit by 31 March 2012.

Head/ Item No. -----	Name of the Account -----
108	Appropriation Account
10801	Reconciliation Statement of the Advances to Public Officers'

(b) Non-maintenance of Registers and Books  
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It was observed at test checks that the Ministry had not maintained the following registers properly and an updated manner..

Type of Register -----	Relevant Regulation -----
Register of Personal Emoluments	Financial Regulation 453 and Audit and Management Circular No. DMA/2009(1) dated 09 June 2009.

Register of Computer Accessories Treasury Circular No. IAI/2002/02 dated 28 November 2002.

(c) Budgetary Variance  
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- (i) The entire net provision of Rs.390,000 made under 02 Objects had been saved.
- (ii) Overprovisions had been made for 21 Objects and as a result, the savings after utilization of provision ranged between 6 to 100 per cent of the net provision relating to those Objects.

(d) Management of Public Expenditure  
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Two per cent and 9 per cent of the recurrent expenditure and capital expenditure respectively should have been saved out of the provision made in the annual estimates approved by Parliament for the year 2012 and from the budgeted estimates in terms of the National Budget Circular No. 155 dated 30 December 2011. The Ministry had saved provisions as required.

(e) Management of Expenditure on Fuel and Electricity  
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Instructions had been given by the Treasury Circular No. 156 dated 16 February 2012 that the expenditure on fuel and electricity should be managed within the provision allocated by the budgeted estimates and no additional funds would be given for this purposes and the Treasury will not approve transfer of provisions by Financial Regulation 66. However, these instructions had not been taken into consideration and during the year under review a sum of Rs.500,000 had been obtained for those objects by supplementary estimates as additional provision of the Treasury.

(f) Imprest Account  
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The unsettled balances of imprest of the Ministry by 30 April 2013 aggregated Rs.927,297. Of this, a balance of Rs.737,955 existed from 25 January 2008.

(g) Reconciliation Statement of the Advances to Public Officers' Account  
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According to the Reconciliation Statement relating to Item No. 10801 Advances to Public Officers Account as at 31 December 2012, the arrears of balances recoverable as at that date aggregated Rs.888,858. The position pertaining to the follow up action taken with regard to recovery of those balances was weak.

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 Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, a Corporate Plan at least for a period of 03 years from the year 2010 should have been prepared by the Ministry at the beginning of the year. But that Plan had not been prepared even by 31 December 2012.

1:4:2 Annual Action Plan  
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Even though the Ministry should prepare the Annual Action Plan for the year 2010 and thereafter in accordance with the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to at 1.4.1 above, the Action Plan prepared for the year 2012 had not been prepared in accordance with the Corporate Plan.

1:4:3 Internal Audit  
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The following observations are made.

- i. The internal audit unit should pay special attention to improve the internal audit system in terms of provisions in the circular of the Department of Audit and Management of the Treasury. However, action had not been taken accordingly.
- ii. The Chief Internal Auditor had been appointed by the Deputy Secretary to the Treasury. However, he had been appointed by the Secretary of the Ministry of Postal Services as Financial Manager of the Project too for the Networking of Post Offices which functions under the Ministry of Postal Services. This had adversely affected the independence of internal audit.
- iii. Officers recruited as internal audit officers were graduate trainees. Internal or external training sessions had not been conducted to provide them adequate training pertaining to knowledge, skills, responsibilities and professional ethics.

1:5 Assets Management

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Assets given to External Parties

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Action had not been taken to hand over to the Ministry the two mobile telephones valued at Rs.79,130 given to the Ex-Minister and his staff.

1:6 Non-compliances

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(a) Non-compliance with Laws, Rules, Regulations, etc.,

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Instances of non-compliance with the laws, rules and regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
Public Administration Circulars		
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Public Administration Circulars No. 289 dated 10 May 1985, No. 26/92 dated 19 August 1992 and No. 2002/01 dated 25	--	State emblem and the name of the Ministry had not been stencilled on vehicles of the pool belonging to the Ministry.



February 2002.

Gazette Notification dated 22  
November 2010

-- The Ministry of Postal Services had been established by this Gazette notification. However, the registration certificates of 16 vehicles were in the name of Secretary to the then Ministry of Post and Telecommunications and Plan Implementation and action had not been taken to acquire these vehicles and to register them in favour of the Ministry of Postal Services.

Decisions of the Cabinet of 2,201,139  
Ministers of 10 January 2013

Action had not been taken to recover the allowances paid to part time and full time officers recruited to the Project for providing network facilities to post offices, without proper approval of the Department of Management Services.

#### 1:7 Weaknesses in Implementation of Projects

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The following observations are made.

- (a) The Minister of Posts and Telecommunications had presented the Cabinet Memorandum No. 12/2007 dated 31 October 2007 to implement the Project for providing network facilities to post offices. The following functions were expected to be carried out by this. But, the objectives had not been achieved by the implementation of this Project, even as at 31 May 2013.
- i. To establish a proper methodology for collecting the revenue expected.
  - ii. To establish a strategy to earn revenue from new business activities.

- iii. To avoid the continuous loss caused to the Department of Posts and to maintain it in such a manner so as to equalize both, the revenue and expenditure.
- (b) The following matters were observed at inspections carried out to examine the implementation activities of the project at the Piliyandala, Moratuwa and Mt. Lavenia Post-Offices which functioned as pilot projects of the Project for providing network facilities to post offices.
- i. The activities pertaining to sending registered letters alone had been implemented under this project at 10 selected post-offices and at the Central Postal Exchange. No other software had been implemented by using 17 modules proposed to be introduced by the University of Moratuwa.
  - ii. Due to the slow functioning of the computers and allied equipment supplied to the Piliyandala post office, about 7 minutes had been spent to enter a registered letter into the computer system under this method. As such, this method had been made use of, only when lesser number of registered letters were received.
  - iii. This had not been implemented due to the shortage of officers at the Mt. Lavenia Post Office
  - iv. This had been implemented at the Moratuwa Post Office on all other occasions except when registered letters were received in the form of orders.

1:8 Losses and Damage

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Approval of the Director General of Public Finance had been sought to write off the value of damaged stock amounting to Rs.815,000 shown in the Annual Appropriation Account. However, the approval had not been granted. In this connection, the Secretary to the Ministry had informed that action had been taken to recover 50 per cent from each of the 3 responsible officers and had informed the Director of Pensions, Commissioner General of Inland Revenue and the Chairman, Sri Lanka Telecom on 08 January 2013 accordingly to make recoveries and to credit it to the Ministry of Postal Services. However, the recovery had not commenced even by 19 April 2013.

1:9 Uneconomic Transactions  
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The following observations are made.

- (a) A Memorandum of Understanding had been signed with the University of Moratuwa to produce 17 modules relating to the implementation of the Project for providing network facilities to post offices. Accordingly, it was consented to pay Rs. 49 million to the University of Moratuwa. Of this, a sum of Rs.39,200,000 had been paid by 31 December 2012. But, none of these modules had been furnished to the Department of Posts or to the Ministry of Postal Services even by 12 March 2013. The modules introduced was inoperative and as such this expenditure had become fruitless.
- (b) A sum of Rs.71,537,790 had been spent on purchasing hardware. But, these had been under utilized as the Project for providing network facilities to post offices had not functioned properly.

1:10 Human Resources Management  
-----Approved Cadre and Actual Cadre  
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The position of the cadre as at 31 December 2012 is as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Surplus
-----	-----	-----	-----	-----
Senior Level	12	11	01	--
Tertiary Level	03	02	01	--
Secondary Level	52	43	09	--
Primary Level	31	30	--	02
Others (Casual)	--	02	--	02
Temporary	--	02	01	--
Total	<u>98</u>	<u>90</u>	<u>12</u>	<u>04</u>

Action had not been taken to fill 12 vacancies existing as at end of the year under review.

2. Appropriation Head 388 - Department of Posts  
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2:1 Scope of Audit  
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The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Department of Posts for the year ended 31 December 2012 were carried out in pursuance of 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 03 July 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements 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.

2:2 Responsibility of the Chief Accounting Officer and the Accounting Officer  
for the Accounts and Reconciliation Statements  
-----

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statement in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2:3 Audit Observations  
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According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (h) and other major observations appearing in paragraphs 2:4 to 2:15 herein, the Appropriation Account and the Reconciliation Statement of the Department of Posts have been prepared satisfactorily.

(a) Presentation of Accounts  
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The Department had not presented the following accounts for audit by 31 March 2012.

Head/ Revenue Code/ Item No. -----	Name of the Account -----
30801	Reconciliation Statements of the Advances to Public Officers

(b) Non- rendition of Replies to Audit Queries  
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Replies had not been furnished to 8 audit queries issued to the department during the year under review even by 31 March 2013. The computable transactions subjected to those queries were valued at Rs.23,451,103.

(c) Budgetary Variance  
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(i) As a result of overprovisions in 10 objects aggregating Rs.150,960,000, the savings of Rs.15,474,738 remaining after utilizing provisions aggregating Rs.135,485,262 ranged from 7 to 20 per cent of the net provision of those Objects.

(ii) The Department of Posts had prepared estimates on a hypothetical basis instead of preparing it on a feasible basis. As a result, a sum of Rs.33,320,000 had been transferred to 7 objects from other objects under Financial Regulation 66. A sum of Rs.505,039,000 had been obtained for 8 objects by supplementary estimates.

(d) Public Expenditure Management  
-----

Two per cent and 9 per cent of the recurrent expenditure and capital expenditure respectively should have been saved out of the provision made in the annual estimates approved by Parliament for the year 2012 and from the budgeted estimates in terms of the National Budget Circular No. 155 dated 30 December 2011. However, the department had not saved 2 per cent of the recurrent provision.

(e) Management of Expenditure on Fuel and Electricity  
-----

Instructions had been given by the Treasury Circular No. 156 dated 16 February 2012 that the expenditure on fuel and electricity should be managed within the provision allocated by the budgeted estimates and no additional funds would be given for this purpose and the Treasury will not approve transfer of provisions by Financial Regulation 66. However, these instructions had not been taken into consideration and during the year under review a provision of Rs.6,000,000 had been transferred by Financial Regulation 66 for those items.

(f) General Deposit Account  
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Action had not been taken in terms of Financial Regulation 571 with regard to 106 deposits amounting to Rs.6,857,976 exceeding a period of 2 years.

(g) Revenue Account  
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(i) While preparing the revenue estimates, hypothetical figures had been used instead of feasible figures. As a result, it was observed that there were variances over 50 per cent between the estimated and actual revenue under 23 objects.

- (ii) The arrears of revenue from commissions from a private financial institution for the year 2012 had been understated in the accounts by Rs.1,410,049.
- (iii) Although the Department of Posts, had earned Rs.80,370,980 by exchanging its services with 191 countries, there was an arrears of Rs.109,881,152.
- (iv) The number of transactions between the Department of Posts and the foreign banks in their cash and cheque deposits were 74,748 and 74,491 respectively as per reports of the bank and the reports of the Department of Posts. The Department had not revealed the reasons for it.

(h) Reconciliation Statements of the Advances to Public Officers' Accounts

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- (i) The balances of arrears of Advance to Public Officer's Account Item No. 30801 aggregated Rs.60,120,146 as per reconciliation statements as at 31 December 2012. Follow up action taken with regard to recovery of those arrears was at a weak position.
- (ii) The maximum distress loan payable to a Government employee from 01 January 2009 is limited to Rs.250,000 as per National Budget Circular No. 142 dated 31 December 2008. However, distress loans had been paid to 14 officers exceeding the said limit.

(iii) Unidentified Balances

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The particulars of last loan instalments recovered and an age analysis of loans regarding the arrears of Rs.5,125,682 had not been intimated by 3 district accounting offices Kandy, Kurunegala and Batticaloa and the register of advances had not been securely maintained. As such, an efficient audit could not be carried out.

(iv) Balances without Recovery  
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- (i) Balances of loans without recovery for over 5 years aggregated Rs.26,660,614.
- (ii) A sum of Rs.18,037,023 remained continuously unsettled for 5 to 25 years in 11 district accounting offices.

2:4 Good Governance and Accountability  
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2:4:1 Corporate Plan  
-----

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 Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, a Corporate Plan for a period of at least 03 years from the year 2010 should have been prepared by the Ministry at the beginning of the year. But, that plan had not been prepared even by 31 December 2012.

2:4:2 Annual Action Plan  
-----

Even though the Ministry should prepare the Annual Action Plan for the year 2010 and thereafter in accordance with the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to in paragraph 2.4.1 above, the Action Plan prepared for the year 2012 had been furnished to the Auditor General on 14 September 2012.

2:4:3 Internal Audit  
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- (a) The approved cadre of audit officers of the Internal Audit Division is 40. However, 10 officers alone had been assigned to this division during the year under review. As a result, an effective and efficient audit during the year could not be carried out.



- (b) It was planned to examine the following functions as per details shown in the audit programme. But, such functions had not been carried out during the year 2012.
- i. To examine whether training programmes were being implemented, as planned.
  - ii. To examine whether action had been taken according to the Government Procurement Guidelines.
  - iii. To examine outstanding vouchers.
  - iv. To examine the accounting and remittances of revenue collected from agency services.

2:5 Assets Management

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(a) Conducted of Annual Board of Survey

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According to the Public Finance Circular No. 441 dated 09 December 2009 as amended by the letter of the Director General of Public Finance No. PF/ Board of Survey 01 dated 17 December 2010, the Board of Survey should be conducted before 31 March 2013 and the report concerned should be forwarded to the Auditor General. However, 5 district offices under the Department of Posts had not furnished Board of Survey Reports even by 31 May 2013.

- ii. According to the Board of Survey report of 31 December 2012, stamps valued at Rs.440,423 had destroyed as a result of prolonged storage of stamps, lack of systematic storage, lack of adopting proper procedure during issues and lack of proper action taken by the administration.
- iii. Stamps valued at Rs.45,919 were at the stamp stores as they had been rejected due to printing errors. Action had not been taken to recover this loss caused to the department from the institution responsible.

- iv. Stamped printed stationery and remembrance cards lying unused were valued at Rs.2,310,203.

(b) Unsettled Liabilities  
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The unsettled liabilities of the Department of Posts as at 31 December 2012 amounted to Rs.256,719,532.

The following observations are made.

- i. The savings under Object 308-1-1-2003, Rehabilitation and Improvements to capital Assets was Rs.948,905. However, the liabilities committed amounted to Rs.3,346,142.
- ii. The commitment for liabilities are allowed for expenditure on rehabilitation exceeding the savings under Financial Regulation 94(2) and not it should exceed 50 per cent of the provision made for the past 3 years. But, the savings under Object 308-1-1-1505, are contributions was Rs.213,802 whereas the commitment for liabilities amounted to Rs.3,480,718.
- iii. Liabilities not disclosed were valued at Rs.25,522,951.

2:6 Non-compliances  
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Non-compliance with Laws, Rules, Regulations, etc.  
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Instances of non-compliance with laws, rules and regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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(i) Establishments Code -----		
Chapter XXIV Paragraph 4.8	609,056	The entire balance e of loans should be

		recovered at the time of release to Corporations and Boards. However, the balance due from the property loan of an officer had not been recovered.
	Chapter XXIV Paragraph 4 7.1 of Chapter V	28,538,135
(ii)	Circular of the Presidential Secretariat ----- Circular No. SP/SB/03/10 dated 31 May 2010 and E Public Policy Paragraph No. 02040203	--
		According E Public Policy, softwares produced should have proper standards as per specifications and a chapter relating to the period of validity should be included in the agreement. However, it had not been done so in the case of MOMS software used for entering transactions of money orders.
(iii)	Public Finance Circular ----- Paragraph 05 of the Public Finance Policy and Economic Activities No. 01/2002 dated 17 July 2012.	88,426,413
		Instructions should be obtained regarding decrease in revenue and action should be taken accordingly. However, such action had not been taken.
(iv)	National Budget Circular ----- No. 118 dated 11 October 2004.	1,214,918
		If the balance of loan due from an officer is not deducted within 2 months of his transfer, it should be recovered vide monthly summaries. However, it had not been done so.

2:7 Weaknesses in the Implementation of Projects  
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Instances of abandoning projects without commencement, abandoning projects without completion and delays in projects revealed at audit test checks appear below.

(a) Abandoning Projects without Commencement  
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The Department had not commenced the following projects.

Project -----	Estimated Cost -----	Expected date of Commencement -----	Reason for not Commencing in brief -----
	Rs.		
Construction of Thirappane Post Office.	3,751,690	19.12.2011	Non settlement of the ownership of land

(b) Delay in Execution of Projects  
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The following delays in execution of projects were observed.

Project -----	Estimated Cost -----	Date of Commencement -----	Expected date of Completion -----	Expenditure as at 31 December 2012 -----	Reason for delay -----
	Rs.			Rs.	
Construction of Sipplikulama Post Office	6,839,655	01.07.2011	31.01.2012	7,339,912	Delay in constructions
Construction of Pemaduwa Post Office	8,054,630	01.07.2011	31.01.2012	8,783,295	- do -
Construction of Padaviya Parakramapura Sub Post Office	6,885,597	01.07.2011	31.01.2012	5,549,336	- do -
Construction of Dombagahawela Post Office	6,890,510	01.07.2011	31.01.2012	1,498,176	- do -

2:8 Performance

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The observations relating to the progress of the Department, as per Annual Estimates/ Corporate Plan, Action Plan for the year 2012 are shown below.

(a) Annual Revenue

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- (i) The revenue earned by the Department of Posts compared with past 4 years appear below.

Year	2012	2011	2010	2009
-----	-----	-----	-----	-----
Revenue (Rs.Million)	4,952	4,409	4,572	4,546

The revenue for the year 2012 had increased by Rs. 543.5 million compared with that of the previous year. Printing of more stamps had attributed to the increase in revenue.

- (ii) The revenue earned from 10 items of revenue by the department during the year under review had decreased by Rs.22,968,162 compared with that of 2011.
- (iii) The loss during the past 3 years had continuously increased according to the commercial account information prepared by the department. Details are shown below.

Year	2012	2011	2010
-----	-----	-----	-----
Loss (Rs.Million)	3,426	3,432	2,839

2:9 Deficiencies in Operation of Bank Accounts

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The following observations are made in this connection.

- (a) Action had not been taken in terms of Financial Regulation 396 with regard to 82 cheques valued at Rs.985,674 issued with regard to 13 bank accounts remaining unrepresented for payments even after a lapse of 6 months.
- (b) Thirty three cheques valued at Rs.1,628,985 with reference to 5 bank accounts deposited in current accounts of District Accounting Offices remained unrealized even after a lapse of 6 months.
- (c) Unidentified credit balances of Rs.2,158,519 and unidentified debit balances of Rs.381,271 were in 4 and 5 bank accounts respectively as per bank reconciliation statement prepared for the month of December 2012.

2:10 Irregular Transactions  
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The Department of Posts had incurred an expenditure of Rs.10,001,000 for obtaining internet connections and equipment to produce and operate the Money Order Management System (moms),. The software had not been suitably produced for the purpose concerned and as such it had not been used.

2:11 Transactions of Fraudulent Nature  
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The following matters were observed.

- (a) Cash and stamp shortages of Rs.7,044,076 was observed at a cash and stamps verifications carried out at the Havelock Town Post Office on 03 January 2013.
- (b) Five leaves of the register used for receipts and issues from the stamp stores had been removed and misplaced.
- (c) The questionable stock of stamps had been sealed by the internal audit officers. The Postmaster, Havelock Town had forcibly removed the seals and had mixed them with the stock of stamps at the post office.

2:12 Losses and Damage  
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Observations regarding losses and damage revealed at audit test checks appear below.

- (a) An advance of Rs.750,338 had been paid to the contractor for constructing the Thirappane Post Office. Of this, a sum of Rs.540,213 only had been recovered from the final payments made for constructing the Sipplikulama Post Office. Accordingly, the department had lost a sum of Rs.250,125. Further, as a result of not constructing the said post office, the advance given to construct the said post office was in the custody of the contractor for over 1 year without action being taken to recover it.
- (b) Action had not been taken to recover the loss of Rs.81,828 relating to 53,500 stamped envelopes for which payments had been made in 2010.
- (c) There were cash shortages amounting to Rs.984,220 in 3 post offices Maligawatta, Minuwangoda and Gelioya. Action had not been taken to recover it from the persons responsible.
- (d) Action had not been taken to recover the stamp shortage of Rs.19,920 at the Maligawatta post office from the persons responsible.
- (e) A loss of Rs.2,662,353 was observed at 5 places namely, district accounting offices at Ipalagoma and Colombo South and post offices at Welimada, Panwila and Chilaw.
- (f) Various persons send goods to other countries via the Department of Posts. Compensation amounting to Rs.66,145 had been paid to those goods had not reached to the respective person.
- (g) Losses caused by accidents to vehicles in 45 instances between 01 January 2007 to 31 December 2012 amounted to Rs.5,297,609. Action had not been taken to recover the loss from the persons responsible.

- (h) A sum of Rs.50,758,116 had been shown as the amount to be written off being losses due to Tsunami and terrorist activates since 1987. However, action had not been taken to write off the amount.
- (i) The lowest price stipulated in the tender conditions should always be selected while evaluating tenders as per paragraph 1.2.1(a) and 7.9.10 of the Procurement Guidelines No. NPA/CEO/18 dated 25 January 2006. However, this had not been done in the procurement activities pertaining to the Modernization of the Express Post Division of the Central Postal Exchange and tenders had been awarded to the second lowest tenderer resulting in as loss of Rs.410,398.

#### 2:13 Uneconomic Transactions

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A sum of Rs.960,000 had been paid to purchase 3,000 containers of pen for sale in view of the World Postal Day Exhibition 2012. Of these, 2,869 remained without being sold. As a result, the sum of Rs.918,080 spent on behalf of it had become fruitless.

#### 2:14 Management Weaknesses

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- (a) The World Postal Association had given an aid in 2009 to develop the postal activities. Of this, a sum of Rs.27,255,851 remained as balance as at 31 December 2012 and this amount had not been used for postal development activities even by 28 June 2013. As a result of not utilizing aid for development activities, the Department of Posts had not obtained the aid given by the World Postal Association for the years 2011 and 2012.
- (b) A female officer who had gone on 5 years' leave for a foreign employment had consented to work for 120 months compulsory service period, that is, from 02 February 2012, after the leave. But, she had noreported for duty and a penalty of Rs.650,090 was due from her. Action had not been taken to recover this.
- (c) Stamps had been sold to 3 countries, namely, America, England and India on an agency basis, prior to the year 2008. However, the sales had been limited to India alone after that year. As a result, the Department had been deprived of an extensive income.



- (d) The stock of stamps limited to the Havelock Town Post Office was Rs.5,000,000. But, stock of stamps exceeding that limit had been maintained from the month of November 2010.
- (e) The Havelock Town Post Office had not been subjected to supervising by the Divisional Superintendent of Post Offices from 2006 to 02 January 2013. Further, the Accountant (Stamps) had intimated the delayed accounting of stamps received and the delayed accounting of first day cover remittances to the Divisional Superintendent of Post Offices. However, an inspection had not been carried out in this regard.
- (f) Stamps valued at Rs.998,725 had been issued to prepare packets of stamps to coincide with the World Postal Day. However, packets of stamps valued at Rs.587,875 only had been handed over at the stores and stamps valued at Rs.410,850 had not been returned to the stores.
- (g) The Department of Posts had supplied agency services to various institutions. But, a separate income and expenditure account had not been prepared in order to properly identify the income derived from those services and the expenditure incurred thereon. As a result, it was unable to determine whether the Department had obtained effective benefits by these services.
- (h) The Department of Posts comprises the office of the Divisional Superintendent of Post Offices, Office of the District Accountant and the office of the District Administration. Books had not been maintained to separately identify the expenditure incurred on overtime by each division. Accordingly, overtime had been paid without proper internal control.
- (i) Reconciliation of money orders for the year 2012 had not been prepared even by 28 June 2013.
- (j) The construction work of the post offices Sippikulama and Pemaduwa and the sub post office Padaviya Parakramapura had been delayed. However, action had not been taken by the Department to recover the liquidated damages of Rs.2,099,766 recoverable from the contractor. Further, action had not been taken to recover the liquidated damages of Rs.170,352 on behalf of the Modernization Activities of the Express Post Division of Central Postal Exchange.

2:15 Human Resources Management  
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The position relating to the approved and actual cadre as at 31 December 2012 is as follows.

Category of Employees -----	Approved Cadre -----	Actual Cadre -----	Number of Vacancies -----
Senior Level	121	75	46
Tertiary Level	147	62	85
Secondary Level	8,854	6,741	2,113
Primary Level	17,659	16,954	705
Others ( Casual/ Temporary, Contract Basis )	4,788	4,788	--
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Total	31,569	28,620	2,949
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