

**Report of the Auditor General on Head 121 – Ministry of Public Administration
and Home Affairs and the Departments under the Ministry – Year 2012**

This Report comprises two Parts.

Part 1 - Summary Report on the Accounts of the Ministry and the Departments under the Ministry

Part 2 - Detailed Report on each Head

Part 1

**Summary Report on the Accounts of the Ministry of Public Administration and
Home Affairs and the Departments under the Ministry**

1. Departments under the Ministry

Head	Name of Department
212	Department of Pensions
213	Department of Registrar General

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the 2 Departments under the Ministry amounted to Rs.128,481,944,627 and out of that a sum of Rs.128,241,031,275 had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the Ministry and each Department ranged between Rs.24,887,575 to Rs.176,586,733 or 0.03 per cent of the net provisions. Details appear below.

Head	Ministry / Department	Net Provision as at 31 December 2012		Utilisation as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
121	Ministry of Public Administration and Home Affairs	582,368,000	396,500,000	527,730,577	274,550,690	54,637,423	121,949,310
253	Department of Pensions	126,778,438,800	27,000,000	126,742,151,322	23,848,434	36,287,478	3,151,566
254	Department of Registrar General	650,887,827	46,750,000	645,612,237	27,138,015	5,275,590	19,611,985
		<u>128,011,694,627</u>	<u>470,250,000</u>	<u>127,915,494,136</u>	<u>325,537,139</u>	<u>96,200,491</u>	<u>144,712,861</u>

2.2 Revenue Accounts

The Ministry and the two Departments had estimated revenue amounting to Rs.12,608.5 million under 05 Revenue Codes for the year 2012 and revenue amounting to Rs.12,171.2 million has been collected. Accordingly revenue ranging from 82.03 per cent to 129.64 per cent of the estimated revenue had been collected. Details appear below.

Revenue Accounting Officer	Revenue Code	Estimated	Actual	(Under-Collection) / Over-Collection	Percentage
		Rs.	Rs.	Rs.	
Secretary, Ministry of Public Administration and Home Affairs	10-03-07-99	108,531,000	123,160,170	14,629,170	113.48
Director General, Department of Pension	20-04-01-00	8,105,000,000	8,333,779,290	228,779,290	102.82
Director General, Department of Pensions	20-04-02-00	4,150,000,000	3,404,247,640	(745,752,360)	82.03
Registrar General, Department of Registrar General	10-03-02-00	77,000,000	92,306,547	15,306,547	119.88
Registrar General, Department of Registrar General	10-03-07-02	168,000,000	217,795,350	49,795,350	129.64
		<u>12,608,531,000</u>	<u>12,171,288,997</u>	<u>(437,242,003)</u>	

2.3 Advance Accounts

2.3.1 Advances to Public Officers Accounts

Limits Authorised by Parliament

The following limits authorized by the Parliament for the Advances to Public Officers Accounts of the Ministry and the 2 Departments under the Ministry had been complied with.

Head	Item Number	Expenditure		Receipts		Debits Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
121	12101	24,000,000	23,980,573	15,000,000	17,057,422	80,000,000	71,856,378
253	25301	20,000,000	19,999,132	18,000,000	19,178,779	140,000,000	81,268,630
254	25401	50,000,000	49,894,801	30,000,000	54,293,909	195,000,000	142,363,004

2.4 Imprest and General Deposit Accounts

(a) Imprest Accounts

The debit balances of the Imprest Accounts of the Ministry and a Department under the Ministry as at 31 December 2012 amounted to Rs.143,959,401. Details appear below.

Ministry / Department	Debit Balance as at 31 December 2012
	Rs.
Ministry of Public Administration and Home Affairs	3,975,085
Department of Pensions	139,984,316
Total	143,959,401

(b) General Deposit Accounts

 The balances of the General Deposit Accounts of the Ministry and the 2 Departments under the Ministry as at 31 December 2012 totalled Rs.15,673,748. Details thereon are given below.

Ministry / Department	Account Number	Balance as at 31 December 2012
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		Rs.
Ministry of Public Administration and Home Affairs	6000/0000/00/0015/0034/000	2,781,960
Department of Pensions	6000/0000/00/0015/0133/000	12,708,046
Department of Registrar General	6000/0000/0015/0134/000	183,742

Total		15,673,748
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Part 2

Detailed Report on each Head

1. Head 121 – Ministry of Public Administration and Home Affairs

1.1 Scope of Audit

The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Public Administration and Home Affairs for the year ended 31 December 2012 was carried out in pursuance of provisions in 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 31 January 2014. 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

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements 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 Observation

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 (d) and other major audit findings appearing in paragraphs 1:4 to 1:10 herein, the Appropriation Account and the Revenue Account Reconciliation Statement of the Ministry of Ministry of Public Administration and Home Affairs had been prepared satisfactorily.

(a) Presentation of Accounts

The following deficiencies were observed in the Report on the Movement of Non-current Assets.

- (i) The purchase of motor vehicles for Rs.9,426,037 had not been stated while the value of Jeeps owned by the Ministry had been overstated by a sum of Rs.154,252,398.
- (ii) Four motor vehicles valued at Rs.36 million obtained in the year under review had not been included while 02 motor vehicles valued at Rs.2.9 million eliminated, had not been adjusted.
- (iii) The value of furniture and office equipment had been overstated by a sum of Rs.46.7 million while the value of capital assets acquired had been understated by a sum of Rs.170.5 million.

(b) Budgetary Variance

The following observations are made.

- (i) The entire provisions totaling Rs.4,300,000 made for 30 Capital Objects had been saved.
- (ii) Excess provisions had been made for 30 Objects and as such the savings after the utilization of provisions ranged between 25 per cent to 95 per cent of the net provision made for the respective Objects.

(c) Imprest Account

The following instances of action taken contrary to the provisions in Financial Regulation 371 for the grant and settlement of imprests were observed.

- (i) Ad hoc sub-imprests totaling Rs.208,100 had been granted in 28 instances to 10 non-staff grade officers.
- (ii) Even though the ad hoc sub-imprests should be settled immediately after the completion of the purpose, ad hoc sub-imprests totaling Rs.247,500 granted in 14 instances had been settled after delays ranging from 30 days to 228 days after the completion of the respective purposes.
- (iii) Even though the maximum ad hoc sub-imprest that can be granted to a staff officer in one instance is Rs.20,000 ad hoc sub-imprests exceeding Rs.20,000 each totaling Rs.349,959 had been granted to 11 officers in 07 instances.

(d) Advance Account for Control and Maintenance of Rest Houses under Liquidation

The following observations are made.

- (i) The Cabinet of Ministers had decided to liquidate the Advance Account Activity No. 59005 with effect from 03 September 1993. The Ministry had failed to take action on the recoverable balances totaling Rs.1,835,846, the balances for settlement totaling Rs.1,551,082 and assets valued at Rs.1,508,723 and liquidate the Advance Account even up to the end of the year under review.
- (ii) Out of the working losses amounting to Rs.4,121,946 as at 31 December 2012, the write off of a sum of Rs.2,306,799 had been approved by the Committee on Public Accounts. Action for the write

off of the balance sum of Rs.1,815,147 had not been taken even by the end of the year under review.

- (iii) The lease income receivable as at 31 December 2012 from external parties in connection with a Rest House amounted to Rs.11,160,000 and those balances related to periods ranging from 01 year to 05 years. The value of the land on which the Rest House is situated had not been shown under the fixed assets in the accounts.

1.4 Assets Management

Idle and Underutilized Assets

A period of over 30 months had been taken for the recovery of a motor vehicle of the Ministry sent for repairs to the Local Agents. Another motor vehicle belonging to the Ministry, taken off from running and had been parked in the Ministry premises over a period of 14 months up to the end of the year under review.

1.5 Non-compliance

(a) Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations

Non-compliance

- (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- (i) Financial Regulation 1646

Out of 73 motor vehicles belonging to the Ministry, the Daily Running Charts and the Monthly Performance Summaries of 10 motor vehicles relating to the year under review had not been furnished. The Daily Running Charts of the other 63 motor vehicles for 03 months had also not been furnished to audit.

(ii) Financial Regulation
1645(a), (b) and (c)

Motor Vehicle Log Books and the Daily Running Charts had not been maintained in the updated manner.

(b) Circulars of the Presidential Secretariat

Paragraph 3.1 of the Circular No. CA/1/17/1 of 14 May 2010.

Even though only 03 official motor vehicles can be allocated in terms of the circular, contrary to that 04 motor vehicles had been allocated.

1.6 Weaknesses in the Implementation of Projects

The following matters were observed during the course of audit test checks.

(a) Delays in the execution of Projects

The Gothami Road Housing Project in Colombo comprising 16 official quarters for Staff Officers and 48 rooms for single occupation consisting of 9 floors proposed for commencement of construction in October 2001 at an estimated cost of Rs.114,300,000 had not been commenced even by November 2013.

(b) Projects without Progress

The particulars of Projects which had not shown progress, despite the release of the total amounts to the institution for constructions are given below.

(i) A project for the construction of a housing complex of 1,452 houses had been commenced in the year 2006 and sums totaling Rs.5,019,262 had been paid in this connection by the end of the year 2012 to the Urban Development Authority, the Central Engineering Consultancy Bureau and the Department of Buildings. Any physical progress other than the soil testing and preparation of preliminary plans of the project had not been shown.

(ii) Even though the Project for the construction of 696 houses at Kundasale in Kandy at an estimated cost of Rs.2,728,828,261 had been commenced in August 2010, a sum of Rs.91,507 only had been spent up to the end of the year 2012. Any physical progress other than the

inauguration work and the preparation of the plans had not been shown.

1.7 Performance

The following matters were observed during the audit test checks of the progress of the Ministry according to the Action Plan for the year 2012.

- (i) The District and the Grama Niladhari Administrative Division, the Information Technology Division and the Finance and Development Division of the Ministry had not executed the key functions adequately.
- (ii) Action in terms of the Action Plan had not been taken in areas such as the use of modern technology, strategic planning and resources management, simplification of the use of office systems, the use of information technology and the development of administrative infrastructure.

1.8 Losses and Damage

The Ministry had failed to recover from insurance indemnity a sum of Rs.136,258 out of the total loss caused from 20 accidents to motor vehicles in the year under review and the loss of Rs.2,485,109 caused by 13 accidents to motor vehicles up to the year 2011.

1.9 Management Inefficiencies

A sluggishness was shown by the authorities concerned in the implementation of the directives made by the Committee on Public Accounts at the meeting held on 19 October 2010 after the examination of audit paragraphs relating to the Ministry included in the Reports of the Auditor General.

Subject under reference

Directive of the Committee

Observations of the Secretary to the Ministry

Non-recovery of building rent amounting to Rs. 246 million on the buildings of the Maligawatta Secretariat premises.

Action should be taken for the early recovery of rent on official quarters and hand over the buildings to the institutions concerned for maintenance.

The arrears of rent as at December 2012 amounted to Rs.246.6 million. A sum of Rs.147.2 million had been settled by March 2014.

Unauthorized working losses of the Rest Houses Advance Account under liquidation.

Action should be taken to complete liquidation in 06 months and settle the balance.

The work on liquidation is in progress by 19 June 2014 in agreement with the Treasury.

Under the amendment of the Agrahara Income Scheme, inability to obtain insurance cover from the loan insurance cover for loans obtained by placing the insurance cover as security in the event an officer vacates the post or is dismissed from service.

Directed to hold discussions with the parties concerned for the recovery of the loans defaulted by officers from the Agrahara Insurance Trust Fund.

Discussions in this connection were held with the Treasury for the purpose of preparing a Cabinet Memorandum on the matter and the follow up action is scheduled.

1.10 Human Resources Management

Approved Cadre and Actual Cadre

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	71	61	10	--
(ii) Tertiary Level	16	14	02	--
(iii) Secondary Level	500	347	153	--
(iv) Primary Level	212	162	50	--
(v) Others (Casual/ Temporary/ Contract Basis)	--	03	--	03
Total	799	587	215	03

The Ministry had not taken even up to the end of the year under review to fill 215 vacancies.

2. Head 253 – Department of Pensions

2.1 Scope of Audit

The audit of the Appropriation Account and the Revenue Accounts including the financial records, reconciliation statements, books, registers and other records of the Department of Pensions for the year ended 31 December 2012 was carried out in pursuance of provisions in 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 Department on 20 January 2014. 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, Revenue Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions 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 Observation

According to the Financial Records and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (c) and other major audit findings appearing in paragraphs 2.4 to 2.13 herein, the Appropriation Account, Revenue Accounts and the Reconciliation Statement of the Department of Pensions had been prepared satisfactorily.

(a) Budgetary Variance

The following observations are made.

- (i) The entire net provision of Rs.500,000 made for one Object had been saved.
- (ii) Excess provisions had been made for 09 Objects and as such the savings after the utilization of provisions amounted to Rs.7,674,713 and ranged between 51 per cent to 99 per cent of the net provisions relating to those Objects.

(b) Revenue Accounts

- (i) Arrears of Revenue
-

Revenue totaling Rs.2,860,160,139 relating to 02 Revenue Codes presented had been in arrears and an age analysis thereon is given below.

Revenue Code	Age Analysis		Revenue in Arrears as at 31 December 2012
	Less than 01 year	Over 01 year less than 03 years	
	Rs.	Rs.	Rs
20-04-02-00	1,677,121,917	1,181,218,338	2,858,340,255
20-04-01-00	1,476,047	343,837	1,819,884
	1,678,597,964	1,181,562,175	2,860,160,139

(ii) Revenue Code 20-04-01-00 (Social Security Contributions – Central Government) – Revenue Account

The following observations are made.

- Even though the estimated revenue amounted to Rs.8,105,000,000 the net revenue for the year according to the Revenue Account amounted to Rs.8,333,779,290. Revenue exceeding the Annual Budget Estimates by a sum of Rs.228,779,290 had been collected and that represented 2.82 per cent of the estimated revenue.
- The Department did not have a formal methodology for the computation of the arrears of revenue. Even though a nil statement of arrears for the year under review had been made in the account, an audit test check revealed the existence of arrears of revenue amounting to Rs.1,476,047.
- The debit advices obtained from the relevant institutions had not been furnished to audit for the examination of the refunds amounting to Rs.1,994,254 made from revenue.
- The Department had not maintained systematic records of revenue collected and the Revenue Account had been prepared based on the Treasury computer printouts.

(iii) Revenue Code 20-04-02-00 (Social Security Contributions – Provincial Councils) – Revenue Account

The following observations are made.

- Even though the estimated revenue amounted to Rs.4,150,000,000 the net revenue for the year according to the Revenue Account amounted to Rs.3,404,247,640. The shortfall between the annual estimate and the net revenue amounted to Rs.745,752,360 and that represented 17.96 per cent of the estimated revenue.
- Even though Nil Statement of Revenue as at 30 June and 31 December of the year under review had been furnished in terms of Financial Regulation 128(2)(c), according to the Revenue Account, a sum of Rs.1,677,121,917 had been shown as the arrears of revenue for the year under review.
- Even though the Department should maintain systematic records of revenue collected, proper records of the contributions received monthly from each institution had not been maintained properly.
- According to the Pensions Circular No. 1/2001 dated 15 January 2001 instructions had been issued to the relevant institutions to submit a report on the money debited and credited through the Summary of Accounts of each month to the Director General of Pensions before the fifteenth day of the month following. Nevertheless, such reports of debits amounting to Rs.893,223 and credits amounting to Rs.333,098 had neither been received no action taken to obtain the reports.
- Action had not been taken even during the year under review for the collection of the arrears of revenue amounting to Rs.1,181.2 million relating to the years 2010 and 2011.

(c) Advances to Public Officers Account

The following observations are made.

- (i) According to the Reconciliation Statement as at 31 December 2012, the balances that remained outstanding as at that date totaled Rs.1,002,023 and the follow up action on the recovery of those outstanding balances had been at a weak level.
- (ii) A difference of Rs.4,796 existed between the balances according to the Departmental books and the Treasury books as at 31 December 2012.

2.4 Good Governance and Accountability

2.4.1 Annual Performance Report

Even though the Annual Performance Report that should be prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 should have been tabled in Parliament within 150 days after the close of the financial year with copy to the Auditor General, the Performance Report for the year under review had been forwarded for tabling in Parliament only on 20 January 2014.

- 2.4.2** The overpayment of pensions during the year under review as revealed by the Internal Audit Reports amounted to Rs.91,101,348 and that in respect of the years 2010 and 2011 amounted to Rs.49,549,748 and Rs.86,998,898 respectively. The attention of the management had not been paid for the introduction and implementation of a methodology for the prevention of overpayments other than recovering the overpayments in installments.

2.5 Assets Management

The following observations are made.

- (a) Action in terms of the Financial Regulations had not been taken in respect of the excesses and shortages pointed out and the other recommendations made in the Reports of the Board of Survey for the year 2012.
- (b) The unsettled liabilities of the Department as at 31 December 2012 amounted to Rs.2,113,894 and those related to a period less than one year.

2.6 Non-compliances

According to the letter No. වැද/විදමු/අදායම් dated 27 May 2008 of the Director General of Pensions, the contributions to the Widows' and Orphans' Pension Fund should be recovered and remitted as at the end of each months without delay to the Director General of Pensions. Even though the Provincial Councils had retained the contributions without being remitted, the Department had not taken action to get down the contributions or for the maintenance of proper records.

2.7 Weaknesses in the Implementation of Projects

Action had not been taken to implement the E-Pensions Scheme introduced in the year 2007 and it was observed in audit that expenditure amounting to Rs.182,223,229 excluding salaries and wages had been incurred from the year 2007 to 30 June 2013.

2.8 Performance

The observations on the performance of the Department according to the Action Plan for the year 2012 are given below.

- (a) Even though provision amounting to Rs.74,600,000,000 had been made in the Annual Budget Estimates for the payment of pension gratuity, the payment of pension gratuities to 2,465 pensioners who had furnished applications for pension gratuities had not been paid even by 31 December 2012.
- (b) Even though provision amounting to Rs.400,000,000 had been made in the Annual Budget Estimates for the payment of revised pension gratuities, the revised pension gratuities had not been paid to 2,083 pensioners who had furnished applications for the revised pension gratuities.
- (c) Payment had not been made for 1,236 applications furnished during the year under review for the payment of the Armed Services pension gratuities.
- (d) Provision had not been made in the Annual Budget Estimates for the year under review for the payment of death gratuity and payment had not been made for 251 applications for death gratuity even by 31 December 2012.

2.9 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

Adequate steps had not been taken on the dishonored cheques amount to Rs.4,025,574 shown in the accounts over a period exceeding three years.

2.10 Transactions of Contentious Nature

Death gratuity amounting to Rs.261,288 had been paid in respect of an officer of the Office of the Director of Health Services, Badulla contrary to the provisions in Sections 6.1, 6.2, 6.3 and 6.4 of the Manual of Instruction of the New System on the Grant of Pensions and the Payment of Commuted Pension Gratuity.

2.11 Losses and Damage

The observations on the losses and damage revealed during the course of audit test checks are given below.

- (a) The following 06 Divisional Secretariat had remitted the pensions totaling Rs.1,066,810 to the accounts of pensioners for several months even after the death of the pensioners.

Divisional Secretariat	Number of Pensioners	Overpayment
		Rs.
Monaragala	13	188,821
Buttala	3	51,691
Dimbulagala	2	207,925
Badalkumbura	4	64,541
Wellawaya	6	118,620
Medagama	Not stated	375,212
Total		1,006,810

- (b) The losses resulting from the overpayment of pensions as compared with the year 2011, had increased by a sum of Rs.33,928,977 or 43.6 per cent.
- (c) A sum of Rs.557,199 had been overpaid up to 30 June 2012 due to retiring an officer placing him in a post extraneous to his substantive post.

- (d) The overpayment made to the pensioners in the payment of pensions through the Divisional Secretariats had been recognized as losses and damage and shown in the Appropriation Account. The sum recoverable as at 31 December 2012 out of such overpayments amounted to Rs.111,743,342. That balance related to periods ranging from 05 years to 10 years.

2.12 Management Weaknesses

The Pensioners' Holiday Resort at Wedamulla had been established for the welfare of the Pensioners and a Bungalow Keeper and a Labourer had been appointed for the control of the Resort. All activities such as reservation of rooms, collection of cash, issue of receipts, handover of keys and accepting orders are being attended to by the Bungalow Keeper. As such, a weak internal control prevailing therein was observed.

2.13 Human Resources Management

(a) Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	22	19	03
(ii)	Tertiary Level	11	03	08
(iii)	Secondary Level	678	615	63
(iv)	Primary Level	75	65	10
	Total	786	702	84

- (b) The following observations are made.

- (i) Action had not been taken even by the end of the year under review to fill 84 vacancies.

- (ii) Instances in which the required number of employees had not been attached in the internal attachment of employees by the Department are given below.

Particulars of Employees	Number of Employees attached	Required Number of Employees for Attachment	Excess or (Shortage)
Pensions Officer	112	110	02
Records Assistant	46	30	16
Public Management Assistant	166	200	(34)
Office Aides	55	56	(01)

- (iii) The Pensions Officers had been attached to the District Secretariats and Divisional Secretariats without paying attention to the number of pensioners or the number of files dealt by those offices.
- (iv) The Pensions Officers or the Records Assistants had not been attached to the District Secretariats and Divisional Secretariats in the Vavuniya, Mullativu, Kilinochchi and Mannar Districts.

3. Head 254 – Department of Registrar General

3.1 Scope of Audit

The audit of the Appropriation Account and the Revenue Accounts including the financial records, reconciliation statements, books, registers and other records of the Department of Registrar General for the year ended 31 December 2012 was carried out in pursuance of provisions in 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 Department on 31 December 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.

3.2 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, Revenue Accounts and the Reconciliation Statement in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions 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.

3.3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (d) and other major audit findings appearing in paragraphs 3.4 to 3.10 herein, the Appropriation Account, Revenue Accounts and the Reconciliation Statement of the Department of Registrar General had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed during the course of audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Rule	Observations
Register of Fixed Assets on Computer Accessories and Software	Treasury Circular No. IAI/2002/02 of November 2002	Not maintained
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978	Not maintained

(b) Budgetary Variance

The following observations are made.

- (i) The entire net provision of Rs.11,750,000 made for 02 Objects had been saved.
- (ii) Excess provisions had been made for 10 Objects and as such the savings of provisions after the utilization of provisions ranged between 13 per cent to 100 per cent of the net provisions relating to the respective Objects.
- (iii) Contrary to Financial Regulation 94 liabilities amounting to Rs.3,507,702 exceeding the savings of Rs.230,072 of one Object after the utilization of provision made there under, had been committed.

(c) Revenue Accounts

- (i) Revenue Code 10.03.02.00 (Transfer Tax) Revenue Account

According to paragraph 05 of the letter No. ප්‍ර.ක.01/15/2004 dated 25 November 2004 of the Registrar General, whenever a Registrar of Lands suspects that the value of land given in the deed relating to a property in this country is transferred to a foreigner, is understated instructions had been given to obtain the confirmation of the valuation from a report of the

Chief Valuer. Audit test checks revealed that proper attention had not been paid to that aspect.

(ii) Revenue Code 10.03.07.02 (Registration Fee) Revenue Account

The following observations are made.

- Even though the estimated revenue for the year under review amounted to Rs.168,000,000 the actual revenue collected amounted to Rs.217,795,350. Even though revenue collected had exceeded the estimated revenue by a sum of Rs.49,795,350 action had not been taken to revise the estimate.
- Even though the Monthly Returns on the Stamp and other Revenue relating to registrations should be furnished by the Regional Offices and the Offices of the Registrars of Lands within 15 days after the end of the relevant month, instances of failure to take action accordingly were observed in audit.
- According to the reports of the Internal Audit Division of the Department of Registrar General, arrears of revenue totaling Rs.24,451,183 had been reported by 06 Offices of Registrar of Lands. Nevertheless, according to the Revenue Account, a sum of Rs.1,998,857 only had been shown as arrears of revenue.

(d) **Reconciliation Statement of the Advances to Public Officers Account**

According to the Reconciliation Statement prepared as at 31 December 2012 the balances that remained outstanding as at that date totaled Rs.3,634,804. Action had not been taken for the recovery of the loan balances of 194 retired officers amounting to Rs.1,165,565 , a sum of Rs.409,060 relating to 16 deceased officers, a sum of Rs.909,498 relating to 16 interdicted officers and sum of Rs.655,272 relating to 23 officers who had vacated posts included in the outstanding balance.

3.4 Good Governance and Accountability

3.4.1 Corporate Plan

Even though the Department should prepare a Corporate Plan at least for a period of 03 years at the beginning of the year from the year 2010 onwards in terms of 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, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, that Plan had been prepared only on 04 October 2012.

3.5 Assets Management

Thirty three District Offices had not taken action on the excesses and shortages pointed out and the other recommendations made in the Reports of the Boards of Survey for the year 2012.

3.6 Non-compliance

(a) Non-compliance with Laws, Rules and Regulations

Audit test checks revealed that the Registrars' allowances relating to the period from January to September of the year under review and the prior years had been shown under liabilities and paid. Even though this practice had been followed continuously, action had not been taken to obtain the approval of the Chief Accounting Officer in terms of Financial Regulation 115.

3.7 Irregular Transactions

Transactions without Authority

The salaries of officers appointed to Grade II of the Registrars' Service of the Department in June 2008 had been paid by placing them in an erroneous salary step in an erroneous salary Group. Accordingly, a sum of Rs.3,545,536 had been overpaid as salaries to those officers from June 2008 to May 2008.

3.8 Losses and Damage

Action in terms of Financial Regulations 104 and 109 had not been taken on the loss of Rs.98,333 caused due to an accident to a motor vehicle over 10 years ago and the loss of Rs.768,989 caused due to two accidents to motor vehicles in the years 2009 and 2010.

3.9 Management Weaknesses

The following matters were observed during the course of audit test checks 07 offices of Registrar of Lands.

- (i) The balance of the fines outstanding as at 30 November 2012 amounted to Rs.2,505,730 and balances older than 03 years amounted to Rs.1,557,740.
- (ii) Out of the 67,835 deeds registered from January to October 2012 the second copies of 9,523 deeds had been handed over after a delay.
- (iii) The mediation fees had not been recovered on the 976 second copies not handed over and the copies handed over after delays during the period January to October 2012.

3.10 Human Resources Management

Approved Cadre and Actual Cadre

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i) Senior Level	43	11	32	-
(ii) Tertiary Level	47	58	-	11
(iii) Secondary Level	2,079	1,189	890	-
(iv) Primary Level	451	399	52	-
(v) Others (Contract)	-	01	-	01
Total	2,620	1,658	974	12
	=====	=====	=====	=====

The following observation is made.

The Department had not taken action for the filling of 974 vacancies as at the end of the year under review and for obtaining the approval for the excess cadre recruited.