

Report of the Auditor General on Head 121 - Ministry of Public Administration and Home Affairs and the Departments under that Ministry - Year 2013

This report consists of two parts.

Part 1 – Summary report on accounts of the Ministry of Public Administration and Home Affairs and the Departments under that Ministry.

Part 2 – Detailed Report relevant to each Head.

Part 1

Summary report relating to the Ministry of Public Administration and Home Affairs and the Departments under that Ministry.

1. Department under the Ministry

Head	Department
253	Department of Pensions
254	Department of Registrar General

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

The total net provision made for the Ministry and two Departments under the Ministry amounted to Rs.147,170,999,859 and out of that a sum of Rs.141,521,589,213 had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry and each Department ranged from Rs.18,365,728 to Rs.5,376,811,532 representing 2.15 per cent to 22.47 per cent of the total net provision. Particulars are given below.

Head	Ministry/Department	As at 31 December 2013			Savings as a Percentage of Net Provision
		Net Provision	Utilization	Savings	
		Rs.	Rs.	Rs.	
121	Ministry of Public Administration and Home Affairs	1,131,627,586	877,394,200	254,233,386	22.47
253	Department of Pensions	145,185,872,807	139,809,061,275	5,376,811,532	03.70
254	Department of Registrar General	853,499,466	835,133,738	18,365,728	02.15
	Total	147,170,999,859	141,521,589,213	5,649,410,646	03.84

2.2 Revenue Accounts

Estimated and Actual Revenue

The Ministry and 02 Departments under the Ministry had estimated a Revenue of Rs.14,228 million in the year 2013 for five Revenue Codes and revenue of Rs.16,500 million had been collected. Accordingly, a ranged from 92.67 per cent to 4,909.68 per cent of the estimated revenue had been collected. Details are shown below.

Revenue Officer	Accounting	Revenue Code	Estimated Revenue	Actual Revenue	Excess/(Shortage) in Estimated Revenue	Excess/(Shortage) as a Percentage of the Estimated Revenue
			Rs.	Rs.	Rs.	
Secretary, Ministry of Public Administration and Home Affairs		10:03:07:99	133,389,000	141,789,131	8,400,131	106.29
Director General, Department of Pensions		20:04:01:00	8,528,000,000	8,866,646,032	338,646,032	103.97
Director General, Department of Pensions		20:04:02:00	4,340,000,000	6,278,095,915	1,938,095,915	144.66
Registrar General, Department of Registrar General		10:03:02:00	1,600,000	78,555,000	76,955,000	4,909.68
Registrar General, Department of Registrar General		10:03:07:02	1,225,000,000	1,135,204,321	(89,795,679)	(92.67)
Total			14,227,989,000	16,500,290,399	2,272,301,399	15.97

2.3 Advance Accounts

2.3.1 Advances to Public Officers Accounts

Limits Authorized by the Parliament

Limits Authorized by the Parliament on the Ministry and the two Departments under the Ministry relating to Advances to Public Officers Accounts had been followed and those are shown below.

Item No	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
12101	29,000,000	24,070,567	14,000,000	16,646,031	100,000,000	73,464,595
25301	30,000,000	29,995,206	16,000,000	19,377,089	12,000,000	91,983,347
25401	64,000,000	50,512,239	35,000,000	39,044,401	200,000,000	153,830,841

2.4 Imprest and General Deposits Accounts

2.4.1 Imprest Account

The total of the balances of the Imprest Accounts of the Ministry and a Department under the Ministry as at 31 December 2013 was amounting Rs.535,683. Details are shown below.

Ministry/ Department	Debit Balance as at 31 December 2013
	Rs.
Ministry of Public Administration and Home Affairs	534,975
Department of Pensions	708
Total	535,683

2.4.2 General Deposits Accounts

The total of the balances of the Deposits Accounts of the Ministry and the 02 Departments under the Ministry as at 31 December 2013 was Rs.13,741,648. Details are shown below.

Ministry / Department	Account Number	Balance as at 31 December 2013
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		Rs.
Ministry of Public Administration and Home Affairs	6000/0000/00/0015/0034/000	4,165,455
Department of Pensions	6000/0000/00/0015/0133/000	9,464,427
Department of Registrar General	6000/0000/00/0015/0134/000	111,766
Total		13,741,648
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Part 2

Detailed Report relating to 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 2013 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 04 December 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, Revenue Account 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.

1.3 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations at (a) to (d) and other major audit findings appearing in paragraphs 1.4 to 1.11 herein, the Appropriation Account and the Reconciliation Statement of the Ministry of Public Administration and Home Affairs had been prepared satisfactorily.

(a) Budgetary Variance

The following observations are made.

- (i) The entire net provision amounting to Rs.47,440,000 made for 07 Objects had been saved.
- (ii) Excess provisions had been obtained for 06 Objects and as such the savings thereunder after the utilisation of provisions ranged between 12 per cent to 98 per cent relating to net provisions of those Objects.
- (iii) The liabilities of 15 Objects amounting to Rs.890,793 had been understated in the Appropriation Account.

(b) Imprest Account

The following observations are made.

- (i) Even though the ad hoc sub-imprest obtained should be settled immediately after completion of the purpose in terms of Financial Regulations 371, the sub imprests had been settled in 24 instances with delays ranging from 31 days to 107 days after completion of relevant purposes.
- (ii) Even though the maximum sub-imprest could be issued at a time to a staff officer is Rs.20,000 in terms of the Financial Regulation 371, contrary to that sub imprests totalling Rs.138,800 exceeding Rs.20,000 had been issued to 02 officers in 08 instances within 04 days.
- (iii) Ad hoc sub imprests amounting to Rs.78,271 had been obtained in 06 instances and retained in hand for a period ranging from 07 days to 31 days and subsequently settled the entire imprest in cash. Therefore it led to misappropriate the Government funds temporarily.
- (iv) Even though the ad hoc sub imprests should be issued only for staff officers, in terms of Financial Regulation 371, contrary to that, sums totalling Rs.210,000 had been issued in 02 instances to persons outside the Ministry and allowed such money retained with them for 12 days and 57 days by the Ministry.

(c) Revenue Account

The following observations are made.

- (i) Revenue totalling Rs.133.4 million was estimated under the Revenue Code No.10.03.07.99 for the year 2013 by the Ministry and the revenue totalling Rs.141.8 million was collected during the year under review. Accordingly revenue

had been collected representing 106.3 per cent of the revised estimated revenue.

- (ii) The revenue collected by the District Secretariat, Trincomalee under that Revenue Code in the year 2012 had been Rs.17,169,593 and a sum of Rs.10,000,000 was estimated as revenue for the year 2013. Even though it was revised upto Rs.20,000,000 subsequently, revenue amounting to Rs.25,585,890 was collected as at the end of the year under review. Accordingly it was failed to forecast the correct revenue that could be collected when preparing revenue estimates by the District Secretariat.
- (iii) In terms of the paragraph 02 of the Circular No.97/02 of the Regional Administration dated 13 January 1997, it was mentioned that it is suitable only issue Annual Revenue Certificates in every possible time. Nevertheless monthly revenue certificates had been issued by District Secretariats of Trincomalee, Polonnaruwa and Vavuniya without considering that.
- (iv) The revenue earned by the 07 Districts in the year under review had decreased as compared with the preceding year and the decrease of the revenue in Apmara, Batticaloa, Nuwaraeliya and Puttalm Districts had been 38 per cent, 29 per cent, 16 per cent and 11 per cent respectively.

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

According to the Reconciliation Statement of the Advances to Public officers Account item No.12101 as at 31 December 2013 the Ministry had failed to recover outstanding balances amounting to Rs.580,298 out of the total of the balances that remained outstanding as at that date.

1.4 Assets Management

(a) Irregular Use of Assets not Transferred

The Nissan Sunny type motor vehicle which ownership vested in the Ministry of Finance had been purchased on 28 May 2003 to the value of Rs.275,000 by the District Secretariat, Badulla and handed over for use of the Ministry of Public Administration and Home Affairs on 21 July 2011. Nevertheless the ownership of the vehicle had not been transferred to the Ministry even by 30 October 2014.

(b) Unsettled Liabilities

The following observations are made in this connection.

- (i) The unsettled liabilities of the Ministry as at 31 December 2013, amounted to Rs.33,196,700 and those balances were relating to the period less than one year.
- (ii) In addition to the balances mentioned at (i) above, the value of the commitments to be settled to the contractors as at the end of the year amounted to Rs.2,589,489.

1.5 Non-compliances

Non-compliance with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules and Regulations	Non-compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 1645(a)	Vehicles log books which should have been

maintained according to the Form General 267 had not been updated.

(b) Circulars of the Presidential Secretariat

Paragraphs 3.1 and 3.2 of the Circular
No. CA/1/171 dated 14 May 2010

Even though maximum of 03 official vehicles should be allocated to a Minister, 05 vehicles had been given to use of the honourable Minister. It was not informed to the Secretary to the Ministry of Finance and Planning as well in respect of providing vehicles exceeding the approved limit.

(c) Public Administration Circulars

(i) Paragraphs 02 and 03 of the Public
Administration Circular No.26/92
dated 19 August 1992.

State Emblem and the name of the Ministry had not been stencilled on 03 vehicles of the vehicle fleet.

(ii) Paragraph 03 of the Combined
Services Circular No.01/2012
dated 25 June 2012 and the
paragraph 3.1 of the Annual
Transfer Procedure.

Station Transfers had been given by the Ministry for 14 drivers who employed less than 02 years in the Ministry.

1.6 Weaknesses in Implementation of the Projects

Instances of delays in execution of projects revealed during audit test checks are given below.

(i) Proposed Housing Complex Project in Keppetipola Mawatha had been commenced in the year 2006 to construct a housing complex including 1,452 houses and a sum of Rs.5,019,262 had been paid to Urban Development Authority, Central Engineering Consultancy Bureau and Department of Buildings during the years 2010 and 2011. However the activities of the above project had not been completed even by the end of the year under review.

- (ii) The activities of the project for constructions of 696 houses in kundasale, Kandy with an estimated cost of Rs.2,728,828,261 which commenced in August 2010 had not been completed even by 27 November 2014.
- (iii) The Ministry had entered into a trilateral agreement with two other public and private institutions in the year 2003 to construct 1,088 houses comprising 576 houses at Habaraduwa and 512 houses at Wakunagoda, Galle. Even though this housing project should have been completed in April 2010 the Certificate of Conformity (COC) to be obtained from the Habaraduwa Pradeshiya Sabha for the Habaraduwa Housing Project had not been obtained even by 31 October 2014. Accordingly no house from above 2 projects had been sold to the beneficiaries.
- (iv) The Housing Project at Gothami Road, Colombo to construct a 09 storied building with 16 houses for staff officers and 48 rooms for single residence at estimated cost of Rs.114,300,000 should have been commenced in October 2001. Nevertheless construction of that building had not been commenced even by November 2014.

1.7 Performance

The following deficiencies were observed at audit test check carried out on the Performance of the Ministry in the year 2013.

(a) Key Activities not Executed Adequately

The Ministry had not carried out key activities adequately and several such instances are given below.

Division	Area	Activity	Percentage of Completion
Internal Control Division	Installation of an Electric Elevator	Approval of Bid Documents	Nil
	Identification of Vacancies and filling them	Filling of Vacancies	Nil
Finance Division	Development of Administration Infrastructure	Installation of 02 new elevators and Development of accommodation in 4 th floor as a unit	Nil
'Engineering Division	Conduct of Examinations for recruitments on merit and to make recruitments accordingly, with the objective of following recruitment procedure with competition and transparency.	Assign officers to the institution with vacancies	Nil
Development, Research and Maintenance Division	Repairs relating to Summit Houses	Maintenance of Data Systems on the houses repaired and provisions incurred thereon.	31
Home Affairs Division	(i) Introduction of Training Methodology for Decentralized Administration	Development of training facilities by District and Regional Level	20
		Strengthening Training units in Regional and District Level to conduct Training Programmes	Nil
	(ii) Provide specific service facilities to the public who arrive offices	Identification of specific service facilities for offices	20
	(iii) Networking of the system of district administration and regional administration institution using information technology.	Identification of required infrastructure facilities and carry out the activities required to supply them.	20
	(iv) Management Competition between offices of the Divisional Secretaries and offices of the Grama Niladaris	Activities relating to prize giving of the Management Competition	0
Information Technology Division	Quantity of Information Technology services provided	Prepare a methodology to allocate circuit Bungalows and Holiday Resorts to Government Offices through Internet.	10

1.8 Irregular Transactions

Deviation from the Procedure laid down in the Government Procurement Guidelines

Instead of 10 items valued at Rs.505,880 specified in the specifications of the contract for the repairs of outside lavatory of the Auditorium of the Ministry and other repairs, it had been installed low standard items than specified.

1.9 Uneconomic Transactions

The particulars of a transaction entered into devoid of economy observed during the course of audit test checks is given below.

A bus had been purchased at Rs.5.5 million on 29 July 2013 by the Ministry with a basic objective to supply transport facilities to the railway station for the officials of the Ministry arriving for duty from a long distance. That bus had been removed from running for a considerable period due to repairs as gear system and clutch system of the bus had been out of order in time to time within one year from the date of purchase. In addition to the deficiencies observed during physical examination, it was observed in audit that the vehicle had been handed over again to the garage on 10 November 2014, and the roof of the vehicle should be repaired totally. As the bus was removed from running due to repairs in time to time the objective of the bus purchased could not be achieved.

1.10 Management Weaknesses

The following weaknesses were observed during audit test checks.

- (a) The Mitsubishi Jeep belonging to the Ministry had been assessed at a price of Rs.900,000 and two bidders had offered bids at a maximum price of Rs.1,467,386 and a second maximum price of Rs.1,267,500 respectively. However the bidders had rejected to purchase the vehicle due to the reasons such as non-availability of original Registration Certificates of the vehicle, and its oldness and decayed condition.

- (b) The Mitsubishi Pajero Jeep had not been disposed of by a vehicle auction of the Ministry or by another way and it had been parked in the garage of the Ministry for a period about 3 years without being utilized with an intention of transfer it to an officer retired from the service.
- (c) The value of the receivable balances as at 31 December 2013 from various parties amounted to Rs.48,226,989 and out of that, the balances totalling Rs.21,335,170 and Rs.26,891,819 had remained receivable less than 05 years and over 05 years respectively. The following observations are made in this connection.
- (i) Arrears of rent amounting to Rs.40,872,000 included relating to above balances of which should have been recovered from the Land Reform Commission.
- (ii) A total of Rs.6,326,890 as outstanding house rent from 15 occupants was outstanding since for a long period.
- (iii) A balance of Rs.343,928 to be recovered from an officer prior to the year 2006 had not been recovered due to his departure to a foreign country.
- (d) A sluggishness of the authorities concerned was observed in the implementation of the recommendations made by the Committee on Public Accounts held on 19 October 2010 on matters arising from the examination of the audit paragraphs relating to the Ministry included in the Reports of the Auditor General.

Item Referred to	Recommendation of the Committee	Comments of the Secretary
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(i) Non-recovery of house rent amounting to Rs.246 million from the buildings in the	Action should be taken to recover the rent of the official quarters immediately	The outstanding rent as at 31 December 2013 had been Rs.246.6 million and a sum of

premises of Maligawatta and the maintenance of such buildings to be given to same institutions. Rs.167 million out of that had been recovered by the Secretary to the Ministry as at 26 November 2014.

- (ii) The Insurance Coverage Directive given to discuss A draft had been made to could not be obtained under with relevant parties to take issue a Circular at present insurance when an officer necessary steps to recover inclusive provisions to vacated his post or the loans from Agrahara recover the loan obtained by dismissed from service who Insurance in respect of the keeping Agrahara Insurance obtained a loan under a unrecovered loans of the as security when an officer security of loan coverage relevant officers. vacated his post or dismissed under the revision of the from service. Agrahara Insurance Scheme.

1.11 Human Resources Management

----- Approved Cadre and Actual Cadre -----

The position of the approved cadre and the actual cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excess
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(i) Senior Level	74	63	12	01
(ii) Tertiary Level	18	14	04	-
(iii) Secondary Level	493	396	171	74
(iv) Primary Level	216	171	45	-
(v) Others (Casual/ Temporary/ Contract basis)	01	01	-	-
Total	802	645	232	75
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The following observation is made.

Even though the approved cadre in the Accountant service had been 03, the actual cadre had been 04. Similarly the number of approved cadre in the

Development Officers service amounted to 25 but the actual cadre had been 99. Action had not been taken to get approval for excess cadre from relevant authorities by the Ministry.

2. Head 253 – Department of Pensions

2.1 Scope of Audit

The Appropriation Account and Revenue Accounts including the financial reports, reconciliation statements, books, registers and other reports of the Department of Pension for the year ended 31 December 2013 were audited 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 the Department on 29 December 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 Account and Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the 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 reports and the books as at 31 December 2013, it was observed that except for the general observations appearing at (a) to (f) and the other major audit findings appearing in paragraphs 2.4 to 2.13 herein, the Appropriation Account, Revenue Account and the Reconciliation Statements of the Department of Pensions had been prepared satisfactorily.

(a) **Non – maintenance of Registers and Books**

It was observed during 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 Regulation
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Register of Liabilities	Financial Regulation 214
Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978
Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/2 dated 28 November 2002

(b) **Lack of Evidence for Audit**

The following observations are made.

- (i) Even though it was called for the lists of pension payments sent to the Divisional Secretariat after making pension payments by the post offices of the Kaduwela Divisional Secretariat Division for examination of a petition received relating to the irregularities on the pension payments, it was informed to audit that those were destroyed.
- (ii) The evidence had not been made available to ensure the receipts of the Widows and Orphans Pension Fund contributions to the office of the Widows and Orphans Pension Fund from the officers who released on secondment basis.

(c) Budgetary Variance

The following observations are made.

- (i) The entire net provisions amounting to Rs.1,800,000 made under 2 Objects had been saved.
- (ii) Excess provisions had been obtained for 07 Objects and as such the savings thereunder after utilization of the provisions ranged between 50 per cent and 94 per cent of the net provisions of the respective Objects.
- (iii) Provisions of Rs.77 million had been obtained for the Object of Pensioners Benefits (253 – 1 -2-1502) and a saving of Rs.7.2 million was observed as at the end of the year even after making a transfer of provisions amounting to Rs.22.5 million out of that to other Objects.
- (iv) Out of the provisions made for the Object of Gratuity Payments (253-1-2-1502 ii) in the year under review a sum of Rs.6.2 million and another sum of Rs.1,825 million had been transferred to Object - Constructions of Buildings and Object- Welfare respectively by Financial Regulation 66. The number of applicants for pension gratuity payable as at 31 December 2013 had been 13,140 and the amount of pension gratuity payable as at that date amounted to Rs.7,093.9 million. Even though large amount of pensioners who expect to obtain gratuity had been in the waiting list, the provisions had been transferred to another Objects and the acceptable reasons for the transfers had not been furnished to audit.
- (v) A sum of Rs.111,743,343 had been shown as “Pensions Over payments” as at 31 December 2012 in the DGSA Format in the Appropriation Account 2012 while it was shown as Rs.271,673,586 as at 01 January 2013 in the DGSA Format in the Appropriation Account 2013. Accordingly a difference of Rs.159,930,243 was observed. The reasons for this difference had not been explained and it was difficult

to reveal the reasons in audit as registers had not been updated even though the registers had been maintained by the Department when recovery of the over payments made.

(d) General Deposit Account

The following observation is made.

The balance of the General Deposit Account as at 31 December 2013 amounted to Rs.9,464,427 and a sum of Rs.491,870 which is the balance of the sum recovered from pensioners for construction of a holiday resort at Ramboda had been retained in the General Deposit Account for a period between 3 and 4 years without paying back to the pensioners or without taking another action.

(e) Revenue Accounts

The following observations are made.

(i) Revenue Code No.20:04:02:00 – Social Security Contribution (Provincial Council)

The following observations are made.

- * According to the Annual Budget Statement, the estimated revenue amounted to Rs.4,340,000,000. Even though revenue amounting to Rs.6,278,095,915 had been collected by the end of the year, action had not been taken to revise the estimated revenue.
- * According to the account presented, revenue aggregating Rs.659,604,706 had remained in arrears for the period ranging from 1 year 2 years. The follow up action on recovery of such arrears of revenue had been at a weak level.
- * Half yearly reports of arrears of revenue on Revenue Code had not been prepared in terms of Financial Regulation 128(2)(c)

- * The records for the contributions received from the each institution had not been maintained so as to analyse the receipts of the contributions in terms of the provisions of Financial Regulation 128 (2)(g) and Circular No.1/2002 of State Fiscal Policy and Economic Affairs dated 17 July 2002 and as such the accuracy of the arrears of revenue amounting to Rs.591,296,880 could not be ensured. Due to non – availability of adequate information it could not be formulated the provisions required for recovery of arrears of revenue immediately by the Department.
- * A sum of Rs.6,278,095,915 had been received as Social Security Contribution from Provincial Councils in the year under review. A monthly analysis of such receipts with previous month was shown a decrease and an increase for certain months ranged from Rs.226,916,925 to Rs.217,194,597 respectively. The reasons for the variations had not been explained in audit.
- * It should be obtained the approval from the Department of State Accounts, in terms of the Financial Regulation 118(2)(a) for repayment of the Social Security Contributions credited to the Consolidated Fund more than the due amount due to an error. Without taking action accordingly, the repayments of Social Security contributions from the revenue amounting to Rs.3,098,275 had been made with the approval and certification of the Director and Accountant of the office of the Widows and Orphans Pension. Similarly, the acknowledgements had not been obtained from the relevant parties to confirm such payments repaid.
- * Action had not been taken either to recover money or to account as arrears of revenue in the year under review in respect of 22 cheques valued at Rs.602,931 which received

during the year under review as revenue returned to the relevant institutions without brought to account due to various reasons. Further, it was not done under the supervision of a staff officer in terms of Financial Regulation 165 (2)(a).

- * No register whatsoever had been maintained by the office of the Widows and Orphans Pension in respect of the receipts of the contributions of the officers released on secondment basis. Action had not been taken either to obtain arrears of contributions from the relevant institutions or to record the arrears of contributions in the revenue accounts.

(ii) Revenue Code No.20:04:01:00 Social Security Contributions (Central Government)

The following observations are made.

- * The estimated revenue for the year under review amounted to Rs.8,528,000,000 while revenue amounting to Rs.8,866,646,032 had been collected by the end of the year. Even though revenue had been collected over the estimated revenue, action had not been taken to revise the original estimate by the Department.
- * Even though the “NIL Reports” had been furnished on arrears of revenue as at 30 June and 31 December in the year under review, it was revealed in audit that the arrears of revenue amounting to Rs.5,185,438 had remained as at 31 December 2013.
- * Due to non-maintenance of registers methodically the particulars in respect of relevant institutions and time periods relating to arrears of revenue remained at any specific date could not be obtained.

- * Even though in terms of the Circular of Pensions No 1/2001 dated 15 January 2001, the reports relating to the debits and credits made through the Monthly Summaries for every month should be sent to the Director General of Pensions before the fifteenth day of the month following, most of the institutions had not furnished reports in terms of such provisions while the Department also had not taken proper action to obtain such reports.

- * A sum of Rs.7,445,323 had been refunded from the revenue in the year under review and adequate action had not been taken to obtain debit notes as shown below from the relevant institutions to ensure the payments of Rs.1,441,262 out of that.
 - The debit notes had not been obtained from the relevant institutions to ensure the value of Rs.1,597,731 and Rs.222,136 refunded from the revenue in the years 2011 and 2012 respectively.
 - Relevant approval had not been obtained for the revenue refunded amounting to Rs.7,017,283, out of the sum refunded amounting to Rs.7,443,325 from the revenue in the year under review.

- * No information was made available in the Department of Pensions relating to the receipts of the Widows and Orphans and Widowers contributions of the officers of the institutions of Central Government and as such it could not be ensured the accuracy of those when making refunds from the revenue and computation of arrears of revenue.

- * None of the registers had been updated by the office of the Widows and Orphans Fund on the receipts of the contributions

of officers released on secondment basis regarding the account of the Social Security Contribution of Central Government and no attention had been paid on such persons. Action had not been taken to obtain the arrears of contributions of such officers from the relevant institutions and to record such values as arrears of revenue in the revenue accounts.

(f) Reconciliation Statements of the Advances to Public Officers Account

The following observations are made.

- (i) According to the Reconciliation Statements of the Advance Account, Item No 25301 as at 31 December 2013 the outstanding balance as at that date totalled Rs.2,147,493 and the follow up action on the recovery of those outstanding balances had been at a weak level.
- (ii) According to the Departmental books and the Treasury books as at 31 December 2013, a difference of Rs.4,796 was observed and that difference remained brought forward since number of years.
- (iii) A difference of Rs.272,203 was observed between the total of the Summary of Individual List of Balances as at 31 December 2013 and the Control Account, while a balance of Rs.134,664 included in that difference had remained since for a long period.
- (iv) Action had not been taken to recover the outstanding loan balance of Rs.647,293 from 13 officers who transferred out during the period from the year 1990 to 2013.
- (v) Action had not been taken to recover the loan balance of Rs.424,374 to be recovered from the officers who were interdicted and vacated of post, even by the end of the year under review.

2.4 Good Governance and Accountability

2.4.1 Annual Action Plan

Even though an action plan should be prepared by the Department of Pensions in terms of the paragraph 1.4.1 of the letter of the Director General of Public Finance No.PF/R/2/2/3/5(4) dated 10 March 2010, an action plan for the year under review had not been prepared.

2.4.2 Annual Procurement Plan

The annual Procurement Plan in terms of the National Budget Circular No.128 of 24 March 2006 had not been prepared.

2.4.3 Internal Audit

As revealed in the field inspections carried out by the Internal Audit Section as at 31 December 2013, the over payments of pensions amounted to Rs.131,229,776 and the balance to be recovered for over a period of 10 years amounted to Rs.45 million. It was observed that the progress of recovery of such overpayments had been at a weak level.

2.5 Assets Management

Conduct of Annual Boards of Survey

The following observations are made.

- (a) In terms of the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No.PF/Boards of Survey/01 dated 17 December 2010, of the Director General of Public Finance the annual Boards of Survey for the year 2013 should be conducted and the reports thereon should be furnished to the Auditor General before 15 March 2014. Nevertheless such reports had not been furnished to audit even by 31 May 2014 by the Department of Pensions. The last Boards of Survey conducted had been for the year 2012.

- (b) Action in terms of the Financial Regulations had not been taken on excesses and shortages reported and other recommendations made in the Boards of Survey Report in respect of the year 2012.
- (c) Action had not been taken to use Fuel Order Books in purchasing fuel for the vehicles belonging to the Department.
- (d) The details in respect of all goods to be sold, destroyed, renovated which recommended by the "General Reports 47" had not been summarised and the value of the goods sold had been Rs.133,200 at the auction held on 05 December 2013 by spending Rs.55,776 for paper advertisements. Even though it was proposed to auction large amount of goods more than the sold number, the auction had not so effective as it had been carried out without a proper arrangement.

2.6 Non – compliances

(a) Non – compliance with Laws, Rules, Regulation etc.

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

Reference to Laws, Rules and Non – compliance Regulations

(a) Statutory Provisions

Section 06 of the Teachers Contributory Pension Fund Account for Pensions Ordinance as school teachers had not been amended by Section 3 of the maintained and financial statements of School Teachers Pensions the fund for the financial year and the (amendment) Act No. 03 of details of the transactions and a report 2008 relating to the implementation of the fund had not been prepared.

(b) Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka

- (i) Financial Regulations 880 and 881 Action had not been taken to obtain security from the officers of 14 categories of posts of the Department of Pensions.
- (ii) Financial Regulation 1645 (a) Vehicle log books had not been updated.
- (iii) Financial Regulations 1645 (b)(c) and 1646 Daily Running Charts and Monthly Performance Summaries had not been furnished to audit before 15 day of the month following.
- (iv) Financial Regulations 135 to 139 Action in terms of the provisions of the Financial Regulations had not been taken by the responsible officers in the instances of authorisation, approval, certification and payment for the payments in respect of the cheques issued but not presented for payment amounting to Rs.18,191,684 shown in the Bank Reconciliation Statement. A cheque had been drawn for 03 payment vouchers amounting to Rs.6,946,733 for the renovation of a Generator and the Canteen and the Lavatory System without a certification that the goods and Services had been supplied properly.

- (v) Financial Regulation 237 Even though a sum of Rs.23,429,722 had been paid by 14 payment vouchers, the relevant registers, bills, certificates etc. had not been furnished to ensure such payments.

A sum of Rs.1,899,430 had been paid to install 7 Air Conditioners on 26 December 2013. Even though a certificate from supervising officer should be furnished to ensure the completion of such installation before making payments such completion certificates had been furnished only on 30 January 2014 and 03 February 2014 respectively after payment had been made.

(c) Public Administration Circulars

-
- (i) Circular No.41/91 dated 10 October 1990 Fuel consumption of every vehicle belonging to the Department had not been tested once in 06 months.
- (ii) Circular No.01/2002 dated 25 February 2002 The movable boards had been used with the name of the Department without being stencilled the State Emblem and the Name of the Department for the vehicles of the Department, in terms of the Circular.

2.7 Weaknesses in the Implementation of Projects

Instances revealed at the audit test checks carried out on the projects abandoned without completing and money released without supplying services are shown below.

(a) Projects Abandoned without Completing

“E- Pension Project” of the Department of Pensions had been commenced with the objective of completing the pension process more efficient and effective manner in collaboration with Ministry of Public Administration and Home Affairs, Department of Pensions and Information and Communication Technology Agency (ICTA) in the year 2014 under the “Programme for Restructuring of State Institutions”. Even though the monitoring project of it had been completed on 20 September 2011, such project had been terminated completely due to a technological error arised in the system after incurring a sum of Rs.174 million except the expenditure made for training and other expenditure by the Department of Pensions.

(b) Delays in Completing Projects

The following observations are made.

- (i) A sum of Rs.2,000,000 had been paid to Western Provincial Road Development Authority on 06 December 2013 for the Constructions of the Lavatory System of the Department. Even though another cheque amounting to Rs.2,000,000 had been drawn on 31 December 2013, only A, B and C items such as dismantling, concreting and masonry works amounting to Rs.1,075,430 mentioned in the estimates had been completed as at the date of audit.
- (ii) The Procurement for the renovation of third floor of the Department had been awarded on 26 December 2013, and the entire procurement sum amounting to Rs.2,681,430 had been

paid to the contractor by deviating the Government Procurement Procedure. But at the time of the money paid, the renovation works had remained at a very initial level and such renovation works of the third floor had been completed on 30 April 2014.

2.8 Performance

The observations on the progress of the Department according to the Annual Budget Estimates 2013 are given below.

(a) Key Activities not Executed Adequately

The Department had not executed the key activities adequately and several such instances observed are given below.

- (i) Even though the payment of monthly pensions is the main activity of the Department, the proper administration methods thereon had not been established.
- (ii) The entire sum applied for monthly pensions by Divisional Secretaries had been granted without being prepared a Consolidated Control Account by the Department in terms of the Pensions Circular No.01/2011 dated 30 January 2011.
- (iii) The work in respect of payment of monthly pensions requesting by the Divisional Secretariats had been assigned to one officer by the Department while the duties had not been segregated with an internal check.
- (iv) There were periods without making the entries of the data, in the pension data base but action had not been taken to enquire the reasons and identify the responsible officers and to take remedial actions.
- (v) The expenditure for pensions had not been entered in the Votes Ledger according to the Objects which made provisions.

- (vi) Even though there was a difference of Rs.691,004,249 remained between the pensions expenditure in the accounts branch of the Department and the pension expenditure of the pension data base to in respect of the month of July 2014, a methodology had not been established to identify the reasons for the difference and to ascertain actual pension expenditure.
- (vii) No secured arrangement had been established to avoid entering erroneous and false data when formulating the pension data base already remained in the Department to E-Pension Project as required.
- (viii) Even though all lines out of 55 lines of the pension data base of the Department had not been completed, it was not a barrier to apply pensions and payment of pensions. According to the data system of the pensions for the month of July 2014, pensions had been paid even though there were 100,915 pensioners who had not bank account numbers and 148,248 pensioners whose National Identity Card numbers were not made available.
- (ix) Action had not been taken to remove the unpaid pensions from pension data base amounting to Rs.21,143,462 in the year 2013 of which not credited to the pensioners accounts when paying pensions according to the slip basis, and it was remained as an expenditure in the pension data system.
- (x) Action had not been taken to identify specifically the unpaid pensions in making pension payments through post offices and the bank branches and to remove from the pension data base and it was allowed to remain further as an expenditure.
- (xi) Prompt action had not been taken to obtain unpaid pensions from the Department of Posts in making pension payments

through post offices and the unpaid pensions amounting to Rs.12,823,128 had remained receivable to the Department of Posts from the post offices as at 31 December 2013.

2.9 Deficiencies in Operation of Bank Accounts

The following observations are made.

- (a) At the examination of Bank Reconciliation Statements of the Bank Current Account of the Department as at 31 December 2013 and 31 January 2014, 1766 cheques valued at Rs.867,799,925 as at 31 December 2013 and 140 cheques relating to the year 2013 valued at Rs.48,023,443 as at 31 January 2014 had been shown as cheques issued but not presented for the payments.
- (b) Eleven cheques valued at Rs.18,191,684 drawn on account payee had been recorded in the cash book as payments as at 31 December 2013 and had not been handed over to the respective parties even as at 25 February 2014, the date of audit.

2.10 Irregular Transactions

Certain transactions entered into by the Department were devoid of regularity. Several such instances observed are given below.

(a) Transactions without Authority

The following observations are made.

- (i) The Widows and Orphans Division of the Department of Pensions had paid a sum of Rs.133,731,886 out of the contributions of such fund for 2606 applications of pensioners of Civil and Armed Forces during the period from 01 January 2013 to 30 September 2013 without any legal provisions.
- (ii) Even though there was a contradiction between the provisions of the Widows and Orphans Pension Fund (Amendment) Act No.08 of 2010 and the Pensions Circular No. 13/2010 dated 16

December 2010 on payments, action had not been taken to rectify it. It was stopped the refund of contributions of Widows and Orphans Pensions for 14 applications of Civil Pensioners from October 2013 to December 2014.

2.11 Over Payments

The following observations are made.

- (a) The loss caused due to over payment of pensions as at 31 December 2012 amounted to Rs.111,743,343 while such loss had increased up to Rs.133,229,770 as at 31 December 2013.
- (b) An instance was observed that both Widows and Orphans Pension and the Pension which paying already had been paid to the dependents after the death of the pensioner. Accordingly a sum of Rs.712,278 had been overpaid. Even though action had been taken to recover the over payment from the widow as installments, no disciplinary action had been taken against the responsible officers who made the relevant payment

2.12 Management Weaknesses

At the examination of each section of the Pension Department, the following deficiencies were observed.

(a) Accounts Section

Even though the provisions of Rs.16,152 million had been granted for Armed Forces in the year 2013 for payment of salaries of the deceased and disabled veterans (Ranaviru) until their age of 55 years under the Departmental Head, proper records relating to the utilisation of such provisions had not been obtained and a coordination and supervision of the Department had not been carried out in respect of the utilisation of such provisions.

(b) Postal Section

The letters received to the postal section had not been identified correctly and had not been referred to the respective sections and as such those letters had been repeatedly referred to the postal section. Instances were observed that some letters had been referred to 5 sections and again referred to postal section. At the audit test check carried, it was observed that 05 letters had been retained in the postal section for a period of 32 days to 305 days even up to October 2013 which could not be referred to the proper section. As such it could not be achieved the clients requirements immediately which expected from the Pension Department due to the delays occur at the initial stage. It was observed that action required to maintain efficient and effective service of the postal section had not been taken.

(c) Registration Branch

Out of the pension applications received by the Registration Branch about 25 per cent had been rejected even at least one instance due to the reasons such as applications without signatures, without date stamp, incorrect format, incorrect service period, incorrect bank account number, and this situation had been continuously occurred. But the Department had not introduced proper method to avoid these deficiencies.

(d) Office of the Widows and Orphans Pension Fund

The following observations are made.

- (i) At the audit test check carried out on four files, obtained from an officer of the main branch of the office of the Widows and Orphans Pension Fund it was observed that action had not been taken to pay Widows and Orphans Pensions even though it had elapsed for more than 11 years since the applications made for widows and orphans pensions due to various reasons

such as deficiencies in the applications, taking long time to commence the work on files, non- submission of required information, long time gap between the reminders and non-availability of details of recoveries.

- (ii) At the audit test check carried out relating to the payments of 10 Applications for refund of contributions of Widows and Orphans Pensions of unmarried officers it was observed that a period ranging from 1 year and 1 month to 1 year and 8 months had been taken to pay for 08 applications which all particulars provided therein.

(e) Providing Widows and Orphans Pension Registration Numbers for the Officers of Armed Forces

Even though provisions had been made for Pensions and benefits of Widows and Orphans Pensions and Gratuity Payments for the officers of the Armed Forces under the Head of Department of Pensions in the Annual Budget Estimate, providing Registration numbers of Widows and Orphans Pensions for them was out of the control of the Department of Pensions.

(f) Annual Transfers

Pension Officers had been recruited for the Department of Pensions in the year 2005. Even though station transfers had been given for them in January and July 2014 after 09 years, action had not been taken by the Department to transfer 64 officers attached to the Divisional Secretariats and 42 officers working in the Head Office, whose service period was elapsed from 04 years to 09 years.

(g) Six per cent Abatement of Contributions from Teachers Basic Salary

Six per cent of the contributions from the basic salary of the teachers who entitled to the pensions under the School Teachers Pension Act No.44 of 1953 and Pirivenas Education Act No.64 of 1979, should be deducted and remitted

to the Department by the respective Zonal Offices of such pirivenas and the grant-in-aid schools. The Department had neither obtained such abatements properly or not maintained records. The entitlement of the pensions for them had been decided by obtaining information from the Zonal Office of the respective pirivenas and grant-in-aid schools relating to the deductions of the pension contributions from the salaries at the time of the retirement.

(h) Examination of Divisional Secretariats

The following deficiencies were revealed at the audit test checks carried out in the Divisional Secretariats.

(i) Divisional Secretariat, Kaduwela

The following observations are made.

- * It should be stopped the payment of pensions when not obtaining pensions continuously for 03 months. Nevertheless there were instances that pensions had been sent to the post offices for 04 years continuously even though the pensions had not been drawn.
- * The pensions returned by the post offices as non-paid had not been recorded and prepared properly so as to identify the post offices and the pensioner easily and had not been remitted to the Department of Pensions by the Divisional Secretariats.
- * In an instance that same pensioner obtaining a Pension and a Widows and Orphans Pension, co-ordination between the files had not been made so as to stop both pensions when the pensioners died.
- * Even though the death certificates of the pensioners who died in the years 2012 and 2013 had been furnished a sum of Rs.2,489,200 had been credited to the accounts of the pensioners without disconnecting the pensions and the dependents of the pensioners had obtained such money through ATMs of the banks. A sum of Rs.297,945 out of such overpaid money had been recovered as at June

2014. Action had not been taken to verify such payments and to take disciplinary actions against the responsible officers.

(ii) Divisional Secretariat, Doluwa

Even though the legal documents to be in a pension life such as Record Sheet, Pension Certificate which should furnish annually, details of salary conversions prepared, checked, approval and the details of Bank accounts number transfers were not made available in the pension file and not made available even a pension file for 5 pensioners, action had been taken to pay pensions for them. Similarly pensions had been credited to the 3 joint bank accounts as well without considering the instructions.

(i) Implementation of Payment of Pensions through Banking System and Internal Control Methods

The following observations are made.

(i) In establishment of Pension Data System to release money for payment of pensions by the Department of Pensions the changes had been made without establishing internal control methods.

(ii) Weaknesses in the controls when establishment of pension payment methods through banking system and the following improper conditions had affected to the irregularities of pension payments mostly.

* The method of issuing pension numbers had been applied as centralised and decentralised by the Department from time to time and there was no consistent method applied to issue pension numbers and as such same pension number had been issued to most of the pensioners.

* Duties relating to the payments of pensions had not been assigned properly to the staff officers of the Divisional Secretariats and District Secretariats in terms of the provisions of the Financial Regulation 145(2)(3).

- * Issuance of Awarding papers for all Widows and Orphans Pensions had been made without control of the Department of Pensions.
 - * There was an inordinate delay for payment of Widows and Orphans Pensions due to actions had not been taken to complete Widows and Orphans files at the time of retirement of the officer and accordingly it was increased outstanding payments of Widows and Orphans Pensions.
 - * Station of transfers had not been carried out for the Pension Officers and the officers who involved for such work from time to time and the transfer policy had not been made as an instrument of a control.
 - * When assigned work to the Pension Officers attached to the Divisional Secretariats the duties had not been segregated among them with having an internal check and unlimited powers had been delegated. (such as signing of award letters, entering data.)
 - * Proper investigations had not been conducted on identified over payments and pension frauds in terms of Financial Regulations and Establishments Code and proper disciplinary actions had not been taken on such officers even from the beginning
 - * Pensions had been banked only on the basis of the bank account number by the Bank without the information such as pension number and pensioners name and it had not been entered into an agreement with the bank thereon.
- (iii) The following internal control systems had not been carried out properly and as such it was affected to the pension payment irregularities.

- * Pension payments had been made without obtaining live certificates and pension payments had not been stopped even though the death certificate had been furnished. Timely action had not been taken by the Grama Niladharies as well to furnish those certificates.
 - * Differences between the number of live pensioners and the number of pension files had remained while the necessary documents that should be maintained in a pension file were not made available in those files.
 - * In computation of pensions of the officers the calculations for a same matter had been done on several types.
- (iv) Even though the entire state network had involved with the pension payment process, the Pension Department had not obtained the contributions of other state institutions in discharge of duties of the Department properly.

2.13 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 is as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior level	22	22	-	-
(ii) Tertiary level	11	03	08	-
(iii) Secondary level	1,076	840	236	-
(iv) Primary level	75	64	11	-
(v) Causal	-	01	-	01
Total	1,184	930	255	01

The following observations are made.

- (i) The Department had not taken action to fill 255 vacancies by the end of the year under review.

(b) Human Resources obtained from Other parties

Information relating to the human resources obtained from other parties by the Department is given below.

Category of Employee	Number	Other Party	period
-----	-----	-----	-----
Women Police Sergeant	1	Department of Police	Since 08 June 2010
Women Police Constable	1	Department of Police	Since 24 February 2012

3. Head 254 – Registrar General’s Department

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 Registrar General’s Department for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) 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 10 December 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.

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 Accounts, the Revenue account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and

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

3.3 Audit Observations

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (e) and major audit findings appearing in paragraphs 3.4 to 3.11 herein, the Appropriation Account, Revenue Account and Reconciliation statements of the Registrar General's Department had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed in audit test checks that, the Department had not maintained the following Registers and certain registers had not been properly maintained and updated.

Type of Register	Relevant Regulation
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<ul style="list-style-type: none"> • Register relating to Liabilities • Registers relating to Minor Slips 	<p>Financial Regulation 214</p> <p>Registrar General's Hand Book Section 375</p>

(b) Budgetary Variance

Following observations are made.

- (i) The entire net provision of Rs.1,000,000 mad available for one Object had been saved.
- (ii) Due to excess provisions made under 16 Objects, savings after utilization of provisions were in a range between 7 per cent and 73 per cent of the net provisions relating to those Objects.
- (iii) Even after transfer of estimated provisions to other Object Code under Financial Regulation 66, it was observed that savings exceeded had been more than 30 per cent of the provisions in two instances.

- (iv) Although additional provision of Rs.10,000,000 had been obtained in addition to the provision made available in the original estimate, provision amounting to Rs.4,484,710 had been saved in the Object Code 254-0102-2001 for Buildings and Constructions.

(c) Imprest Accounts

Following observations are made.

- (i) Although the Ad hoc Sub-imprest obtained should be settled immediately after completion of the work, in terms of the Financial Regulation 371, Sub-imprest had been settled after a one month's delay from the date of completion of the work.
- (ii) Entries had not been made so as make it impossible to enter any transaction in the Cash Book after 31 December 2013 by the officer authorized by the Head of Department in term of the paragraph 1 of the Circular No. 06/2013 dated 18 November 2013 of the Treasury Operations Circular with regard to closure of the Cash Book as at 31 December 2013.

(d) Revenue Accounts

(i) Revenue Code Number – 10:03:02:00 (Transfer Tax)

Following observations are made.

- While the Original Estimate for the year 2013 had been Rs.112 million, Revised Revenue Estimate amounted to Rs.1.6 million. It was observed that Revenue Estimate had been revised without making a proper Estimate as the difference between Revised Estimate and the net collection of Revenue had been Rs.1133.6 million.
- According to the letter of instructions dated 25 November 2004 of the Registrar General, when a very clear doubt has arisen to the Registrar of the relevant Land Registry, that the value of the property mentioned in the deed is less than the actual value when transferring a property to foreigners, an assessment should be obtained from the Chief Valuer with regard to the value of such property. Action had not been taken accordingly to obtain such valuation reports from the

Chief Valuer. In this connection, the Registrar General had informed the audit that there is a practical difficulty in taking such action.

- Although Rules had been made for the maintenance of separate books and records for collection of revenue on transfer of land to the foreigners, action had not been taken by the Head Office of the Registrar General's Department to maintain a Register, to make it possible to confirm the total extent of land vested by the foreigners other than the registration of deeds.

(ii) Revenue Code Number – 10:03:08:00 Charges for issuing Annual High Courts Certificates to Notaries.

Although the Charges for issuing Annual High Courts Certificates to Notaries in terms of Circular No. FP/06/100/05/01(III) dated 03 September 2013 of the Ministry of Finance and Planning should be credited to the Revenue Code No.10:03:08:00 of the Register General's Revenue Head, action had not been taken accordingly and a Nil Revenue Report had been submitted to audit.

(iii) Revenue Code Number – 10:03:07:02-(Registration Fees)

Following observations are made.

- Although the Annual Revenue Estimate was Rs.808 million, it had been shown as Rs.178 million in the Revenue Account. While the revised Revenue Estimate had been Rs.1,225 million, it had been shown as Rs.1,025 million resulting Rs.200 million erroneously.
- Although half yearly reports reflecting the position relating to arrears of revenue should be prepared for each 6 months and should be sent to the Auditor General, in terms of Financial Regulation 128(2)(c), and action had not been taken accordingly.
- While a total sum of Rs.3,137,366 was in arrears as at 31 December 2013, age analysis relating to those arrears of revenue had not been forwarded to the Auditor General. Follow up action for the recovery of those arrear of revenue was at a weak level. Following weaknesses were observed with regard to that.
 - According to Internal Audit Reports relating to three Land Registries, arrears of revenue amounting to

Rs.861,264 on account of Registration Charges had not been shown in the Arrears of Revenue Account.

- In certain instances action had not been taken in terms of Financial Regulation 128(1)(a) to collect the charges receivable to the Government fully and without delay.
- The officers entrusted with the work relating to recovery of arrear of charges had not acted in terms of the Financial Regulation 128(i)(h) and 128(2)(e).
- It was observed in audit that, there were instances of lack of proper reporting as well as not recording the information received with regard to Revenue on account of Registration Charges.
- In terms of Circular No. 9/2012 dated 31 December 2012 of the Registrar General, a Monthly Summary Classification Report should be prepared and referred to the Chief Accountant of the Department before fifth day of the ensuing month relating to the recoveries made on account of issuing Certificates of Marriages, Births, Deaths, charges recovered for Statements and Translations and Registration of Marriages. However, 98 Divisional Secretariats in 9 Provinces had not taken such action for the period January to June 2013.
- Bank Slips referred to the Head Office in terms of the above circular by the Land Registries and Zonal Offices had not been properly sorted out and filed according to the Land Registries and Zonal Offices after June 2013.

(e) Reconciliation Statement of the Advances to Public Officers Account

Following observations are made.

- (i) According to the reconciliation statement as at 31 December 2013 relating to Item No. 25401, Advance Account, the total of balances in arrears as at that date amounted to Rs. 2,005,820. The Department had failed to recover those balances in arrears.
- (ii) The loan balances totalling Rs. 1,772,281 outstanding from 198 officers, who had left on transfers, retired, deceased, dismissed, resigned from service and vacated service had not been recovered.

3.4 Good Governance and Accountability

3.4.1 Annual Procurement Plan

Annual Procurement Plan in terms of National Budget Circular No. 128 dated 24 March 2006 had been prepared on 30 January 2013.

3.4.2 Implementation of the Audit and Management Committee.

The Audit and Management Committee had not been implemented at the Departmental level.

3.5 Assets Management

(a) Conducting Annual Board of Survey

Following observations are made.

- (i) The Board of Survey Report for the year 2013 had not been submitted before 31 March 2014 in terms of Public Finance Circular No. 441 dated 09 December 2009 as amended by letter No.PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance.
- (ii) Although there were 18 vehicles in the Department, only 08 vehicles had been included in the report relating to Movement of Non-current Assets.

(b) Unsettled Liabilities

While the total of Unsettled Liabilities not settled by the Department as at 31 December 2013 amounted to Rs. 38,535,069, these balances related to a period less than one year.

Following observations are made.

- (i) Position relating to settlement of above balances was unsatisfactory.
- (ii) Although commitments of liabilities and expenditure to be incurred should not exceed the provision for the financial year at any time in terms of Financial Regulation 94(1), it was observed that liabilities had been committed exceeding the savings under 4 Items of Expenditure to the extent of Rs. 3,393,295.

- (iii) Liabilities amounting to Rs. 15,808,163 had been committed for obtaining photo copying service during the year 2013. It was observed that continuation of entering in to commitments for obtaining photo copying service; without making provision during the financial year for making payments out of the ensuing year provisions, amounts to breach of Financial Regulation requirements.

3.6 Non- compliances

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

Instances of non-compliance with Laws, Rules and Regulations observed in audit test checks are analyzed below.

Reference to Laws, Rules and Regulations.	Value Rs.	Non-compliance
(i) Statutory Requirements		
Clause 31 (26) of the Notary Ordinance	--	Although all Notaries should hand over the second copies of all deeds witnessed by them before 15th day of the ensuing month, a number of Notaries who had not handed over and or not provided a nil return were observed.
(iii) Financial Regulations of the Government of Sri Lanka		
i. Financial Regulation 188(2)		
	77,850	i. A sum of Rs. 77,850 shown as Cash Book not Debits but Credited as at 31 December 2013, in the Bank Reconciliation Statement prepared on 26 March 2014.
	29,891,284	ii. The sum of Rs. 29,891,284 shown as an amount erroneously recorded twice in the Cash book, in the Bank Reconciliation Statement prepared on 26 March 2014 relevant to 31 December 2013, had not been corrected even up to May 2014.
ii. Financial Regulation 396(d)		
	283,072	Action had not been taken in terms of the Financial Regulation with regard to Cheques issued, but not

presented for payments for more than 6 months.

3.7 Performance

Observations relating to the progress of the Registrar General's in accordance with the Annual Estimates for 2013 are shown below.

(a) Activities Contrary to the key Functions

Instances of deviations from the own objectives of the Departments were observed. Certain such instances revealed in test checks are shown below.

- (i) Although the conservation of registers is one of the most important functions assigned in the Mission of the Department, providing opportunity to private sector for entry into the Land Registry Office for Photo Copying Service indicates a deviation from the main objectives and therefore steps had not been taken to include security arrangements by way of providing certain conditions in the agreement to that effect.
- (ii) Although the second copies of deeds, assignments, mortgage deeds, agreements etc. received at the Land Registry should be kept in volumes, under the name of each Notary and conserved, those received during the period from the year 2005 to the year 2010 had been kept in temporary files, and action had not been taken to bind the deeds and keep in volumes after classification of deeds since the year 2011.

3.8 Weaknesses in Operation of bank Accounts

----- Long Delay in Preparation of Bank Reconciliation Statements -----.-

Bank Reconciliation Statements had not been prepared for the period of July to November 2013, in relation to a Bank Account of the Department even by 31 December 2013.

3.9 Improper Transactions

Certain transactions entered into by the Department were improper. Certain such transactions are shown below.

Deviations from the Procurement Guidelines Procedure

When calling for quotations for the assignment of Photo Copying Service to the Private Sector, according to the Clause 5.3.2 of the Government Procurement Guidelines, it is required to mention in the Invitation for bids, the basic information required to be possessed by the successful bidder to confirm direct his eligibility, the basic matters such as supply of electricity and refundable deposits had not been published in the Procurement Advertisement.

3.10 Management Weaknesses

Following weaknesses were observed in audit test checks.

- (i) Although it had been planned to open Register Generals' Sections in all the Divisional Secretariats according to the Reports relating to the Stamp Revenue of the Registrar General, action had not been taken to establish 4 offices in three Districts of the Northern Province.
- (ii) In audit test checks carried out in relation to the Delkanda Land Registry, it was observed that action had not been taken with regard to minor slips on account of delays in handing over the duplicate of transfer deeds of land ownerships by the Notaries to compute and recover the fines or to impose other course of punishment, having obtained the correct reports within the appropriate time.
- (iii) Action had not been taken by the Management to implement the prevailing control systems relating to proper handing over of duplicate copies of deeds and nil reports to the Offices of the Land Registries by the Notaries and to identify the weaknesses affecting the position of not receiving the Government Revenue on due dates and to establish proper systems.

3.11 Human Resources Management

(a) Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior level	43	10	33
(ii)	Tertiary Level	47	45	02
(iii)	Secondary Level	2,108	1,609	499
(iv)	Preliminary Level	464	387	77
	Total	2,662	2,051	611

Following observations are made.

The Department had not taken action to fill 611 vacancies by the end of the year under review.

(b) Human Resources Improperly Released to Other Parties

Particulars relating to Human Resources improperly released to other parties by the Department as at 31 December 2013 are shown below.

Category of Employees	Number	Other Party	Period Released
Additional District Registrar	01	Presidential Secretariat	16 February 2010 to date
Additional District Registrar	01	Ministry of Parliamentary Affairs	31 December 2010 to date