

Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Telecommunication and Information Technology for the year ended 31 December 2013 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 01 August 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 2013, it was observed that except for the effects of the general observations appearing at (a) to (d) and major audit findings appearing in paragraphs 1.4 to 1.10 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Telecommunication and Information Technology have been prepared satisfactorily.

(a) Appropriation Account

The following observations are made.

(i) Total Provisions and Expenditure

The total net provision made for the Ministry had been Rs.1,000,780,000 and out of that, a sum of Rs.963,252,683 had been utilized by the end of the year under review. Accordingly, a sum of Rs.37,527,317 or 04 per cent had been saved from the net provisions. Details are given below.

As at 31 December 2013

Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of the Net Provisions
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	Rs.	Rs.	Rs.	
Recurrent	113,800,000	102,161,088	11,638,912	10
Capital	886,980,000	861,091,595	25,888,405	2.9
Total	1,000,780,000	963,252,683	37,527,317	4
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(ii) Budgetary Variance

The following observations are made.

- The entire net provisions amounting to Rs.2,050,000 made for 04 Objects had been saved.
- Excess provisions had been obtained for 23 Objects and as such, the savings thereunder after utilizing the provisions ranged between 06 per cent and 94 per cent of the net provisions relevant to these Objects.
- An amount of Rs.213,821,948 had been transferred through Financial Regulation 66 for 10 Objects due to preparation of estimates on hypothetical basis without formulation of plans required to achieve the targets of the Ministry, identification of requirements through the said plans and preparation of estimates. Provisions of Rs.457,500,000 had been made for 04 Objects through the Supplementary Estimates.

(b) Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament and actual values for Advances to Public Officers Account, Item No.18501 relating to the Ministry are given below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
18501	2,800,000	1,298,636	400,000	750,812	7,000,000	4,036,658

(c) Imprest Account

The balance of Imprest Account No.7002/0000/00/0419/0013/000 dated 31 December 2013 of the Ministry amounted to Rs.39,110,354. The total of imprest balances unsettled by the Ministry by 30 April 2014 had been Rs.39,032,040. These balances were advances and interim payments paid to three contractors relevant to 03 constructions for Deyata Kirula exhibition in the years 2012 and 2013.

(d) General Deposit Account

The balance of the General Deposit Account No.6000/0000/00/0015/0187/0000 as at 31 December 2013 of the Ministry was Rs.39,032,040. As advances amounting to Rs.39,032,040 granted to three contractors for purposes of Deyata Kirula exhibition had been brought to account as expenditure, the said balance had arisen.

1.4 Good Governance and Accountability

1.4.1 Annual Action Plan

In terms of paragraph 1.4.1 of the Letter of the Director General of the Public Finance No.PF/R/2/2/3/5 (4) dated 10 March 2010, the Ministry should prepare an Annual Action Plan. Even though an Annual Action Plan had been prepared on 13 June 2013 for the year under review, it had not been prepared in a manner so that all functions of the Ministry are included.

1.4.2 Internal Audit

An internal audit unit in terms of Financial Regulation 133 had not been established up to September 2013 and it had been established in October. As such an adequate internal audit had not been carried out for the year under review.

1.5 Assets Management

The following observations are made.

(a) Irregular use of Assets of other Institutions

The Ministry had used 04 vehicles owned by other institutions without transferring them. At present one of those vehicles is in a disposal condition.

(b) Unsettled Liabilities

The unsettled liabilities of the Ministry as at 31 December 2013 amounted to Rs.131,461,871 and those liabilities had remained for less than one year.

1.6 Non- compliances

Non- compliance with Laws, Rules and Regulations etc.

Instances of non- compliance with the provisions of laws, rules and regulations observed during 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

Financial Regulation 1645

Running charts of 06 pool vehicles had not been furnished.

(b) Circulars of Presidential Secretariat

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

Even though the maximum number of vehicles allocated for use and security purposes of the Ministers was 03, 04 vehicles had been allocated to the Minister in charge of the Ministry. In

addition, the relevant Minister had used 06 pool vehicles and another vehicle.

1.7 Performance

The observations on the progress of the Ministry according to the Action Plan in the year 2013 are given below.

(a) Planning

Non-compliance with the Annual Action Plan

Functions performed in the following instances had not been complied with the Annual Action Plan.

- (i) It had been planned to construct and complete 328 e-shilpagaras according to the Action Plan presented to audit in the year under review and it had been estimated to provide Rs.4.2 million for a building with computers and accessories to one of those e-shilpagaras. Even though the total estimated cost had been Rs.1,377.6 million, estimated amount or expenditure for one e-shilpagara had not been shown in the Action Plan.
- (ii) Even though the provisions made for the construction of these shilpagaras for the year under review had only been Rs.395 million, the progress of the construction of e-shilpagaras during the year 2013 was 29 per cent. Accordingly the targets of the Action Plan in the year under review had not been achieved and it had not been made use of as an effective instrument.
- (iii) It is re-planned to complete these constructions fully in the year 2014 and it had been reported to audit that 130 e-shilpagaras had been opened by 06 June 2014, another 95 laboratories are to be opened and 106 shilpagaras are to be completed.

1.8 Transactions of Contentious Nature

Certain transactions carried out by the Ministry were of contentious nature. Particulars of several such transactions revealed at audit test checks are given below.

- (a) Out of the quotations submitted for construction of the canteen, 02 institutions had submitted a minimum quotation of Rs.11,135,250 each. The said quotations had been rejected without indicating special reasons and the contract had been awarded for a bid of Rs.12,066,600 to the contractor who had submitted the next minimum quotation.
- (b) Bids had been called to construct temporary toilets at the Deyata Kirula premises. The Evaluation Committee had recommended that the said contract should be awarded to three bidders who had submitted bids at Rs.575,000 each for 49 systems to be completed on the due date. Even though the Evaluation Committee had rejected the bid of the bidder who had not agreed to complete the constructions on the due date contrary to the said recommendation, the said contract had been awarded at Rs.575,000 each to the rejected bidder to complete the said construction on 07 January 2013 by the Chief Executive Officer of Deyata Kirula.
- (c) As the construction of toilets had not been carried out according to the specifications agreed, the contract awarded had been cancelled on 08 March 2013. An amount of Rs.15,000,000 had been paid to the said contractor by then. Construction works of 23 toilet systems constructed but not completed by the contractor had been handed over to the Urban Council- Ampara to complete the constructions and a sum of Rs.1,900,000 had been paid for same. Out of the expected number of toilet systems 26 systems had not been constructed due to the weaknesses occurred in the procurement procedure and an extra expenditure of Rs.3,675,000 had been incurred for constructed toilet systems.
- (d) Even though a sum of Rs.30,296,373 had been paid to contractors in addition to the mobilization advance for constructions of Deyata Kirula Exhibition- 2013, measurement reports had not been submitted to confirm the payments. Accuracy of the relevant payments could not be checked due to carrying out these transactions contrary to Financial Regulation 237(a).
- (e) Even though it had been decided as per the Bill of Quantities of the contractor to complete doors and windows in Aluminium of the said building when constructing the Reading Hall, louver doors and frames made of timber valued at Rs.1,185,500 had been purchased from an area close to Colombo for same.

1.9 Irregular Transactions

Deviation from the Procedure laid down in the Procurement Guidelines

Procurements had been made as Rs. 32,458,041, Rs.12,066,600 and Rs. 18,678,330 to construct a temporary toilet, a canteen and a reading hall respectively for Deyata Kirula Exhibition- 2013. Instances where provisions of the Government Procurement Guidelines had not been followed in respect of the said procurements were observed as follows.

- (a) Quotations had been called only from 04 institutions without calling open bids for the said purpose contrary to Guideline 1.2.1(c) in a manner in which fair and equal opportunities are provided in a maximum way to all qualified and interested parties. As such, the Government could not complete constructions under a least cost together with a high quality.
- (b) Even though in terms of Guideline 5.2.1, it is essential to include Bill of Quantities in the Register of Calling for Bids, such Bill of Quantities had not been prepared in procurements for construction of a canteen and a reading hall.
- (c) In terms of Guideline 5.3.5, it had not been confirmed whether the three contractors were registered in ICTAD.
- (d) In terms of Guideline 5.3.11, Bid Securities had not been obtained from contractors who submitted quotations for construction of the reading hall.
- (e) Even though in terms of Guideline 5.4.4(1), advance of a maximum of 20 per cent of the contract sum can be paid on submission of a guarantee, such guarantee had not been obtained when making payments of advances for the said 03 constructions.
- (f) Performance bonds in terms of Guideline 5.4.8 had not been obtained in the construction of the canteen and toilets.
- (g) Recommendations of the evaluation committee in terms of Guideline 8.1 had not been obtained when constructing the reading hall and the canteen.

1.10 Human Resources Management

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

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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Senior level	09	08	01
Tertiary level	04	03	01
Secondary level	33	13	20
Primary level	20	15	05
Other (Casual/Temporary /Contract basis)	01	01	-
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	67	40	27
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It had failed to fill 27 vacancies by the end of the year under review.