

## **Report of the Auditor General on Head 176 - Ministry of Civil Aviation -2014**

Paragraphs 1 to 2 of this report contain the general information on the Accounts of the Ministry and audit observations relevant to the Head appear in paragraph 3 onward.

### **1.1 Scope of Audit**

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The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records, Revenue Account and Reconciliation Statements of the Ministry of Civil Aviation for the year ended 31 December 2014 were carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Reports for the year under review were issued to the Chief Accounting Officer of the Ministry on 30 October 2015. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

### **1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation statements**

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

## 2 Accounts

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### 2.1 Appropriation Accounts

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#### Total Provision and Expenditure

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While the total net provision made amounted to Rs.26,791.4 million, a sum of Rs.26,613.9 million had been utilized as at the end of the year under review. Accordingly, savings of the Ministry out of the net provision had been Rs.177.5 million or 0.66 per cent. Details are shown below.

Expenditure	<u>As at 31 December 2014</u>			Balance as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
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	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	168.9	160.3	8.6	5.09
Capital	26,622.5	26,453.6	168.9	0.63
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Total	26,791.4	26,613.9	177.5	0.66
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### 2.2 Revenue Account

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#### Estimated and Actual Revenue

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While it had been estimated to collect revenue amounting to Rs.5,700 under one Revenue Code for the year 2014 by the Ministry revenue of Rs.3,605 million had been collected at the end of the year under review. Accordingly, 63 per cent of the estimated revenue had been collected by the Ministry.

## 2.3 Advance Account

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### 2.3.1 Advances to Public Officers Account

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Limits Authorised by Parliament

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The limits authorised by Parliament of the Advances to Public Officers Accounts for the Ministry an actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
17601	2.5	2.2	1.6	1.7	10.0	8.2

## 2.4 Imprest Account

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The balance of Imprest Account of the Ministry as at 31 December 2014 totalled Rs.28,840.

## 2.5 Audit Observation

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According to the Financial Records and books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the management audit report referred in paragraph 1.1 the Appropriation Account, Revenue Account and the reconciliation statements of the Ministry of Civil Aviation have been prepared satisfactorily. Out of the observations included in the management report, material and important observations appear in paragraph 3.

## 3. Head 176 - Ministry of Civil Aviation

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### 3.1 Non -maintenance of Registers and Books

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It was observed in audit test checks that the following registers had not been maintained by the Ministry.

<u>Type of Register</u>	<u>Relevant Regulation</u>
(i) Register of Liabilities	Financial Regulation 214
(ii) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978.

### 3.2 Appropriation Account

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#### Budgetary Variance

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Excess provision had been made for 10 Objects and as such savings after utilization of provision ranged between 11 per cent to 76 per cent of the net Provisions relating to the respective Objects.

### **3.3 Revenue Account**

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Forecast and estimating revenue had not been made on a correct basis relevant to the Revenue Account under Revenue Code 20.03.02.08, as per paragraph 03 of the Fiscal Policies and Economic Affairs Circular No. 01/2002 dated 17 July 2002 and in terms of the Financial Regulation 142. Although it had been expected to collect revenue of Rs. 3,000 million according to the original estimate, subsequently that estimate had been revised as Rs.5,700 million. However revenue amounting to Rs.3,605 had been collected by the end of the year under review. Accordingly, actual revenue had not reached the revised estimate although it had exceeded the original estimate. It was observed that revenue forecast had not been made correctly for revising the revenue estimate.

### **3.4 Reconciliation Statement relating to Advances to Public Officers Account**

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Following lapses were observed in the sample audit check carried out with regard to Reconciliation Statement relating to Advances to Public Officers Account Item No. 17601 as at 31 December 2014.

- (a) While the total of outstanding balances to be recovered in arrears as at that date amounted to Rs.783,675 according to the reconciliation statement submitted to the audit, those balances in arrears were being brought forward over a period ranging from 01 to 18 years. However, the Ministry had failed to recover those balances.
  
- (b) A Property Loan of Rs.224,600 had been paid to an officer by the Ministry, without looking into the legal position of the power of attorney relating to the land.

- (c) Although a loan balance of Rs. 224,600 due from an officer who had vacated post on 23 January 1999 had been outstanding over period of more than 17 years, any course of action had not been taken by the Ministry to recover that loan balance.

### 3.5 Non-compliance

#### Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Value	Non – compliance
	Rs.	
<b>(a) Public Administration Circulars</b>		
Circular No.13/2008 (iii) dated 21 October 2009. Paragraph 02	68,040	A female officers who had not reported for work for nearly three months and had taken leave during the year 2014 without approval of the Director General of Establishments had been paid the fuel allowance contrary to the circular provisions.
<b>(b) Public Finance Circulars</b>		
Paragraph 2 of the Circular No.446 dated 01 September 2010 and Paragraph 1 and 2 Circular Letter No.PED/RED/01/04/08 dated 15 November 2011.	160,296	Bungalow and Mobile Telephone charges had been paid from the year 2011 to January 2015 to a female officer in class 1 of the Management Assistants Service contrary to circular provisions and without proper approval.

### **3.6 Performance**

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Observations relating to the progress of the Ministry according to Annual Budget Estimate for 2014 and Action Plan are shown below.

- (a) Reports relating to physical and financial performance as at the end of the year according to Action Plan prepared by the Ministry for the year 2014 had not been prepared by the Ministry.
- (b) A sum of Rs.26,113 million had been invested during the year under review in the capital of the Sri Lanka Airline and Mihinlanka Companies by the Ministry. A follow-up had not been taken with regard to the utilization of those investments even up to the end of the year under review. Therefore, the supervision by the Ministry with regard to those investments were in a very weak level

### **3.7 Transactions of Contentious Nature**

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Certain transactions entered into by the Ministry had been of contentious nature. Details relating to some of such transactions revealed in sample audit tests are given below.

The expenditure amounting to Rs.157,480 incurred on entertainment in the Parliament, by the former Honorable Minister and former Honorable Deputy Minister had been incurred under the Object of the Ministry during the year under review.

### 3.8 Human Resources Management

#### (a) Approved Cadre and the Actual Cadre

Cadre position as at 31 December 2014 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	10	09	01
(ii) Tertiary Level	02	02	-
(iii) Secondary Level	42	33	09
(iv) Preliminary Level	22	20	02
(v) Others	02	01	01
Total	78	65	13

Following observation is made.

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

#### (b) Human Resources obtained from Other Parties

Seven officers belong to a State Own Company had been engaged on activities of the Ministry, by the Ministry.