

Report of the Auditor General on Head 121 of the Ministry of Public Administration and Home Affairs and Departments under the Ministry –Year 2014

Paragraphs 1 and 2 of this Report contain the general information on the Accounts and the Audit Observations on each Head appear from paragraph 3 onwards.

1. Departments under the Ministry

<u>Head</u>	<u>Department</u>
253	Department of Pensions
254	Registrar General's Department

1.1 Scope of Audit

The audit of the Appropriation Accounts, Revenue Accounts, and the Reconciliation Accounts including the financial records, reconciliation statements, books, registers and other records of the Ministry of Public Administration and Home Affairs and the Departments appearing in paragraph 1 above for the year ended 31 December 2014 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 Chief Accounting Officer and the Accounting Officers of the Ministry and Departments, on the undermentioned dates. The audit observations, comments and findings on the accounts and 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.

<u>Head</u>	<u>Ministry/ Department</u>	<u>Date of Issue of Management Audit Report</u>
121	Ministry of Public Administration and Home Affairs	08.04.2015
253	Department of Pensions	20.07.2015
254	Registrar General's Department	14.07.2015

1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officers for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officers are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, Revenue Accounts, and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. The 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. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

The total net provision made for the Ministry and 02 Departments under the Ministry amounted to Rs.149,477 million and out of that Rs. 147,956 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry and the Departments ranged between Rs. 31 million and Rs. 1,411 million or from 0.96 per cent to 6.82 per cent of the net provision. Details are given below.

Head	As at 31 December 2014			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
121	1,159	1,080	79	6.82
253	147,224	145,813	1,411	0.96
254	1,094	1,063	31	2.83
Total	149,477	147,956	1,521	

2.2 Revenue Accounts

----- Estimated and Actual Revenue -----

The Ministry and 02 Departments under the Ministry had prepared Revenue Estimates totalling Rs. 20,338.28 million in respect of 05 Revenue Codes for the year 2014 and Revenue totalling Rs. 16,203.41 million had been collected in the year under review. Revenue in the ranges of 78.01 per cent to 135.7 per cent of the estimated Revenue had been collected. Details appear below.

Revenue Code	As at 31 December 2014			Excess/(Shortfall) as a Percentage of Estimate
	Estimated Revenue	Actual Revenue	Excess/ (Shortfall)	
-----	-----	-----	-----	-----
	Rs. Millions	Rs. Millions	Rs. Millions	
10.03.07.99	118.28	160.51	42.23	35.70
20.04.02.00	7,000.00	5,557.25	(1,442.75)	(20.61)
20.04.01.00	12,000.00	9,361.64	(2,638.36)	(21.99)
10.03.08.00	20.00	17.59	(2.41)	(12.05)
10.03.07.02	1,200.00	1,106.42	(93.58)	(07.80)
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Total	20,338.28	16,203.41	(4,134.87)	
	=====	=====	=====	

2.3 Advance Accounts

----- 2.3.1 Advances to Public Officers Account -----

----- Limits Authorized by the Parliament -----

Limits authorized by the Parliament on the Ministry and the two Departments under the Ministry and the actual amounts relating to Advances to Public Officers Accounts are shown below.

Item No	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
12101	31.0	24.1	15.5	15.9	110.0	74.1
25301	32.0	32.0	17.0	20.81	125.0	97.5
25401	65.0	42.1	39.0	40.67	220.0	159.3

2.4 Imprest Account

The balance of the Imprest Account of the Department of Pensions under the Ministry as at 31 December 2014 amounted Rs.33.31 million.

2.5 General Deposit Accounts

The total of the balances of the Deposit Accounts of the Ministry and 02 Departments under the Ministry as at 31 December 2014 amounted Rs.12.81 million. Details are shown below.

Ministry/ Department	Deposit Account No.	Balance as at 31 December 2014
		Rs. Millions
Ministry of Public Administration and Home Affairs	6000/0000/000/0015/0034/000	4.05
Department of Pensions	6000/0000/000/0015/0133/000	8.50
Registrar General's Department	6000/0000/000/0015/0134/000	0.26
Total		12.81

2.6 Audit Observation

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 referred to in the Management Audit Reports, paragraph 1.1, the Appropriation Accounts, Revenue Accounts, and the Reconciliation Statements of the Ministry and the Departments have been prepared satisfactorily. The material and important observations out of the observations included in those Management Audit Reports appear in paragraph 3 to 5 herein.

3. Head 121 - Ministry of Public Administration and Home Affairs

3.1 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The Ministry had prepared the Imprest Limits based on the Annual Budget Estimates for the year 2014 and forwarded to the Department of Treasury Operations in terms of the Treasury Operations Circular No.05/2013 of 04 December 2013. Those limits had been approved by the Department of Treasury Operations. According to the approved limits, the Department of Treasury Operations had not issued the imprests to the Ministry during the respective months as expected. Provisions ranging from 0.83 per cent to 49.44 per cent had been saved out of the provisions totalling Rs. 25,903,800 as imprest had not been received for the utilization of provisions made for 04 Objects.
- (b) The entire net provision totalling Rs. 2,630,000 made for 05 Objects had been saved.

3.2 Imprest Accounts

The following observations are made.

- (a) Ad hoc sub-imprests totalling Rs. 132,610 had been issued contrary to the provisions in Financial Regulation 371 to 05 Non-Staff Grade Officers in 12 instances.
- (b) Even though the ad hoc sub-imprests obtained should be settled immediately after the completion of the purpose in terms of provisions in Financial Regulation 371, the ad hoc sub-imprests totalling Rs. 377,000 issued in 20 instances had been settled after a delay ranging from 01 month to 02 months from the completion of purpose.
- (c) Even though the maximum ad hoc sub-imprest that can be issued to a Staff Officer in one instance in terms of Financial Regulation 371 is Rs.20,000, contrary to the

Financial Regulation, ad hoc sub-impressts totalling Rs.167,485 exceeding Rs. 20,000 had been issued in 07 instances to 04 officers.

3.3 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 12 deposits older than 2 years totalling Rs. 99,205 by the Ministry.

3.4 Revenue Accounts

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to a Revenue Code had been assigned to the Secretary to the Ministry. The following deficiencies were observed during the audit test check carried out relevant to those Revenue Codes.

(a) Revenue Code No. 10.03.07.99 Licence Fees – Other

The following observations are made.

- (i) According to the Annual Budget Estimate, the collection of Revenue amounting to Rs. 118 Million had been estimated under the Revenue Code. A sum of Rs. 160.5 Million had been collected by the end of the year under review and that amounted to 136 per cent of the estimated Revenue.

- (ii) The Revenue earned by 05 District Secretariats in the year under review had decreased as compared with the preceding year and out of those District Secretariats, the decrease of Revenue of the districts of Vavuniya, Mannar, Hambanthota and Trincomalee had been ranging from 31 per cent to 81 per cent.

3.5 Unsettled Liabilities

The unsettled liabilities of the Ministry as at 31 December 2014 totalled Rs. 1,021,271.

3.6 Non-compliances

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

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

Reference to Laws, Rules and Regulations.	Value	Non-compliance
----- Rs. -----		
i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

<ul style="list-style-type: none">Financial Regulation 625(1)	11,401,730	Fixed Assets of the G-LED Project valued at Rs. 11,401,730 purchased for the years 2013/2014 had not been included in an Inventory or a Register.
<ul style="list-style-type: none">Financial Regulation 1646	11,401,730	<ul style="list-style-type: none">Annual Boards of Survey Reports in respect of assets of the G-LED Project had not been made available to audit.All Running Charts and Monthly Performance Reports relating to 27 motor vehicles of the fleet out of 64 owned by the Ministry had not been made available to audit.Running Charts relating to another 05 motor vehicles of the fleet of a period ranging from 05 months to 12 months had not been made available to audit.
ii) Circulars of the Presidential Secretariat		

Paragraph 3.1 of Circular No.CA/1/171 of 14 May 2010		Even though the maximum number of official motor vehicles allocated in terms of circulars stood at 03, contrary to it 05 official motor vehicles had been allocated for the use of the Hon. Minister of Public Administration and Home Affairs.

**(iii) Public Administration
Circulars**

Paragraphs 2 and 3 of Circular
No. 26/92 of 19 August 1992

-
State Emblem and the name of the
Institute had not been mentioned in 07
motor vehicles of the fleet owned by
the Ministry.

(iv) National Budget Circulars

Circular No.118 of 11 October
2014

Even though loan balances recovered
from two officers who came on transfer
in the year under review had exceeded
the period mentioned in the Circular,
the office had failed to recover those
loan balances.

(b) Non-compliance with Tax Requirements

Instances where action taken without complying with tax requirements, observed
during the course of audit test checks are given below.

- (i) A direct payment of Rs. 8,325,000 had been made to a private company for purchasing a motor vehicle for the Project on Regional Economic Development (G-LED) for Good Governance by the United Nations Development Fund due to inadequate funds released to the Project Management Unit.
- (ii) Local tax totalling Rs. 2,317,321 relating to the above purchase made for the Ministry of Public Administration and Home Affairs by the United Nations Development Fund should have been paid by the Ministry of Public Administration and Home Affairs.

3.7 Foreign Aid Projects

The Ministry had implemented one Project under foreign finance during the year under review. The estimated cost thereof according to the Project Agreement totalled Rs. 25,000,000 and a sum of Rs. 24,464,785 had been utilized on such Project during the year under review. The following observations are made in connection with these Foreign Aid Projects.

- (a) The period of implementation of the Project on Regional Economic Development (G-LED) for Good Governance had been 53 months. Thirty two per cent of the duration of the Project had been covered during the period of 17 months by the end of the year under review. Only 1.93 per cent out of the actual cost of the project for that period had been utilized.
- (b) The approval of the Department of Management Services had been received on 12 March 2015 for payment of salaries for the officers of the Management Unit of the Project on Regional Economic Development (G-LED) for Good Governance. A sum of Rs. 2,701,762 had been paid as salaries to those officers before obtaining the relevant approval.
- (c) A total of Rs. 158,601 had been paid as salaries for 03 unapproved posts and 04 posts exceeding the approved cadre of the officers of the Management Unit of the Project on Regional Economic Development (G-LED) for Good Governance.

3.8 Implementation of Projects under Domestic Financing

Instances of project delays revealed during the course of audit test checks are given below.

- (i) The Project of Keppetipola Mawatha Proposed Housing Complex had been commenced for the construction of a housing complex with 1,452 houses in the year 2006. A sum of Rs. 5,019,262 had been paid to institutes such as Urban Development Authority, Central Engineering Consultancy Bureau and Department of Buildings during two years 2010 and 2011. However, activities of that Project had not been completed even by the end of the year under review.
- (ii) The Project had been commenced in August 2010 with an estimated cost of Rs. 2,728, 828,261 for construction of 696 houses in Kundasale, Kandy. That Project had not been completed by 15 July 2015.

3.9 Performance

The observations on the progress of the Ministry according to the Annual Budget Estimates and Action Plan for the year 2014 are given below.

The Management Unit of the Project had failed to submit a report on progress as at 30 January 2015 to audit even by 15 July 2015 in respect of programmes targeted for the years 2013 and 2014 under the E-citizen programme implemented under the Ministry of Public Administration and Home Affairs.

3.10 Losses and Damage

A loss of Rs. 511,392 had been sustained by the Ministry due to a motor vehicle accident on 07 January 2010. The Ministry had not recovered that loss even by 19 June 2015.

3.11 Unresolved Audit Paragraphs

Reference to the audit paragraphs which had not been rectified by the Ministry in respect of deficits shown by the audit paragraphs included in the Reports of the Auditor General relating to the Ministry is given below.

Subject under Reference -----	Recommendation of the Sabha -----	Comments of the Secretary -----
(i) Failure in recovering housing rent of Rs.246 million from buildings of the premises of the Secretariat Office, Maligawatte.	Action should be taken to recover the rent of official quarters promptly and to assign the maintenance of the buildings to the same institutions.	The outstanding rent by December 2013 had been Rs. 246.6 million and the Secretary to the Ministry had settled a sum of Rs. 167.8 million by 15 July 2015.
(ii) Failure in obtaining insurance coverage when an officer who obtained loans by standing the loan protection insurance as surety under the revising of Agrahara Insurance Scheme, is vacated or dismissed from the service.	It had been directed to hold discussions with the relevant parties to take necessary steps to recover the loans of the officers who evade payment of loans from the Agrahara Insurance Trust Fund.	A revised draft had been prepared and sent to the General Treasury by 15 July 2015 to issue a Circular including provisions to recover loans from the Agrahara Insurance Trust Fund when an officer is vacated or dismissed from the service.

3.12 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior level	74	72	02
(ii) Tertiary level	18	12	06
(iii) Secondary level	552	433	119
(iv) Primary level	234	201	33
(v) Other (Causal/Temporary/Contract basis)	01	01	-
Total	879	719	160

4. Head 253 – Department of Pensions

4.1 Non – maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the following Registers.

Type of Register	Relevant Regulation
Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978
Register of Liabilities	Financial Regulation 214
Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/2 dated 28 November 2002
Security Register	Section (i) of Financial Regulation 891

4.2 Lack of Evidence for Audit

The following observations are made.

(a) Transactions totalling Rs. 18,243,792,888 made by the Department could not be satisfactorily vouched in audit due to unavailability of evidence such as the dates on which 55 years is completed, pension number or the Widows and Orphans Pension Number, the Divisional Secretariat from which the pensions are obtained relating to disabled and deceased soldiers and police officers.

(b) Necessary schedules had not been made available to audit in confirming that the payment of gratuity totalling Rs. 637,789,591 payable through the bank and the Department as at 31 December 2014 had been paid.

4.3 Replies to Audit Queries

Replies to 12 Audit queries issued in the year under review had not been furnished even by 31 March 2015. The value of quantifiable transactions relating to those audit queries amounted to Rs. 35,530,385,660.

4.4 Appropriation Account

In the payment of pensions gratuity under the bank loan facilities in the year under review, the interest on bank loans amounting to Rs. 139,262,676 paid for loans so obtained had been brought to account under the Pensions Gratuity Object without accounting under Object 1601.

4.5 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken in respect of 04 deposits totalling Rs. 167,734 older than 02 years.

4.6 Revenue Accounts

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to 2 Revenue Codes had been

assigned to the Head of Department as the Revenue Accounting Officer. The following deficiencies were observed during the course of audit test check of those Revenue Codes.

(a) Revenue Code 20.04.01.00 – Social Security Contribution (Central Government)

The following observations are made.

- (i) According to the Annual Budget Estimates, the collection of Revenue amounting to Rs. 12,000 Million had been estimated under the Revenue Code. A sum of Rs. 9,362 Million had been collected as at the end of the year under review and that amounted to 78 per cent of the estimated Revenue.
- (ii) Accounting the Revenue relating to the Revenue Code by the Account Summary every month and monthly Account Summaries should be sent to the Director General of Pensions before the 15th of the following month in terms of Pensions Circular No.1/2001 of 15 January 2001. However, many institutions had not submitted reports according to those provisions and the Department had not taken proper steps as well to summon those reports.
- (iii) A total of Rs. 9,361,637,260 had been received as the social security contribution in the year under review from the institutions belonging to the Central Government. Even though the monthly variance of receipts of social security contribution received monthly had ranged from a negative value of Rs. 31,102,666 to a positive value of Rs. 242,826,695, relevant explanations in respect of those matters affected those variances had not been made.
- (iv) A sum of Rs. 14,648,483 had been repaid from the Revenue in the year under review and the Department had not taken adequate action to summon debit notes from relevant institutions to confirm the payments of Rs. 5,189,747 of the above sum.

(v) The office of the Widows and Orphans had not maintained any Register whatsoever on receipts of contributions of the officers released on secondary basis. Action had not been taken to recover the outstanding contributions from the relevant institutions or to post the outstanding contributions in Revenue Accounts.

(vi) Even though 36 officers of the Sri Lanka Railways had taken no pay leave from the year 2007 to the year 2013, contributions for that period had not been paid.

(b) Revenue Code 20.04.02.00 – Social Security Contribution (Provincial Councils)

The following observations are made in respect of this Revenue Account.

- (i) According to the Annual Budget Estimates, the collection of Revenue amounting to Rs. 7,000 Million had been estimated under the Revenue Code. A sum of Rs. 5,557 Million had been collected as at the end of the year under review and that amounted to 79 per cent of the estimated Revenue.
- (ii) Records on contributions received monthly from each institution had not been maintained so as to enable to analyze receipts of contributions in terms of Financial Regulation 128(2)(g) and Circular of Fiscal Policy and Economic Affairs No.1/2002 of 17 July 2002.
- (iii) Action had not been taken in terms of paragraph 2.2, 2.3 and 2.5 of Circular No. 01/2001 of 15 January 2001 of the Director General of Pensions.
- (iv) The approval of the Department of State Accounts should have been obtained in terms of Financial Regulation 118(2)(a) to refund the social security contributions credited to the Consolidated Fund erroneously in excess of the amount due. However, refunding from the Revenue of Social security contributions of Rs.939,626 had been made in the year under review with the certification and approval of the Accountant and Director of the Office of the Widows and Orphans. Moreover, receipts

for the confirmation of contributions received from those institutions had not been obtained.

- (v) No register whatsoever had been maintained in respect of receipts of contributions of the officers released on secondary basis by the Office of Widows and Orphans. Action had not been taken to recover outstanding contributions from relevant institutions or to post outstanding contributions in Revenue Accounts.

4.7 Reconciliation Statements of the Advances to Public Officers Account

The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account, Item No. 25301.

- (a) According to the Reconciliation Statement, the outstanding balance as at that date totalled Rs.2,102,312. Even though those outstanding balances had been existing for a period ranging from 01 year to 24 years, the follow up action on the recovery of those outstanding balances had been at a weak level.
- (b) Even though a difference of Rs.1,038,118 was observed between the total of the Classification Summary of Individual Loan Balances as at 31 December 2014 and the balance of the Control Account it had not been reconciled in terms of Financial Regulation 506 (d).
- (c) Even though a difference of Rs.4,796 between the Departmental books and the Treasury books as at 31 December 2014 had been existing since a number of years, it had failed to rectify it even by the end of the year under review.

4.8 Unsettled Liabilities

The following observations are made.

- (a) The value of the Unsettled Liabilities of the Department as at 31 December 2014 amounted to Rs. 1,074,122,583.
- (b) The Department had obtained bank loans for the payment of pension gratuities from April 2014 and loan balance so obtained by 31 December 2014 amounted

to Rs. 10,317,214,752. That loan balance had not been shown under the liabilities of the Appropriation Account.

4.9 Non-compliances

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

Reference to laws, rules and regulations	Value	Non-compliance
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	Rs.	
(a) Statutory Provisions		

Sections 2 and 25 of Minutes on Pensions	13,462,288	When Pensions Gratuity had been drawn by expressing preference, approximately 60 per cent of gratuity is recovered by the Government. However, despite having drawn gratuity by expressing preference, gratuity had not been so recovered from the Judges of the Supreme Court and the Appeal Court.
(b) The Establishments Code of the Democratic Socialist Republic of Sri Lanka		

Section 4.2.3 of Chapter XXIV		Even though the Director General of Pensions had been given authorization and consent by the officer to recover the existing loan balances at once from the commuted pension at the time of obtaining the loan, without considering it, the entire gratuity had been directly

credited to the bank account of the pensioner including abatements in respect of Provincial Council officers.

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

Financial Regulation 447

- Liabilities had not been shown in the Vote Ledger.

(d) Circulars of the Department of Pensions

Pensions Circular No.7/2014
of 03 July 2014

Even though the pension gratuity should be credited to the Official Bank Account of the institution in which the pensioner has served, in terms of the Circular, it had been directly credited to the bank account of the pensioner despite unavailability of legal provisions.

4.10 Deficiencies in the Operation of Bank Accounts

Long Delays in the Preparation of Bank Reconciliation Statements

The Bank Reconciliation Statement of one bank account for December 2014 had not been prepared even by 09 April 2015.

4.11 Transactions in the Nature of Financial Frauds

In the payment of pensions under the Slip Method, misappropriation of pensions had been carried out by changing bank account numbers fraudulently due to weaknesses in internal control such as crediting of money to the account of the pensioner based only on the bank account number and the relevant amount by the banks, delegating

powers of inclusion of data to Pensions Data Base to the Pensions Officers of the Divisional Secretariats without control systems and not taking actions by the Department to establish internal control methodologies adequately by preparing control accounts. The Internal Audit Unit had revealed 12 frauds valued at Rs.30,695,737 by 21 August 2014 and the Department had not made evidence available to confirm that investigations in respect of officers who committed frauds had been carried out in terms of Financial Regulations even by 30 June 2015.

4.12 Losses and Damage

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

- (a) Losses of Rs.188,959,505 further due from overpayments of pensions by the end of the year under review had been mentioned in the Statement on Losses submitted by the statement DGSA -7 of the Appropriation Account and the number of Divisional Secretariats stated without mentioning the number of pensioners as the number of incidents thereon.
- (b) Steps had been taken to recover from the pensioner without taking action to determine the officers who are responsible in respect of overpayments of pensions. As such, the manner in which action should be taken in respect of the unrecovered balance when a pensioner or widow dies before recovering overpayments, had not been made available to audit. However, the Statement on Writing Off from books DGSA-7(1) of the Appropriation Account had been shown as a blank report in the Appropriation Account without calling information from Divisional Secretariats in respect of such situations.
- (c) Reasons in respect of a difference of Rs. 8,078,943 between the balance of pensions overpaid as at 31 December 2013 mentioned in the List of Losses and Damage submitted along with the Appropriation Account of the preceding year and the balances shown as at 01 January 2014 submitted along with the Appropriation Account of the year under review, had not been made available to audit.

4.13 Management Weaknesses

The following weaknesses were observed in audit test checks.

(a) Examination on Renting out the Building of the Premises of the Department

The total outstanding amount of Rs. 79,863,589 comprising a sum of Rs. 18,456,400 for the year 2014 from 6 institutions and a sum of Rs. 61,407,189 for preceding years before 2014 from 8 institutions from which the buildings had been rented out, had existed by 31 December 2014. The Department had not taken action to recover that outstanding rent.

(b) Non-recovery of Ground Rent for Bank Automated Teller Machines

The Department had not taken action to recover any rent whatsoever from the relevant bank for the ground space rented out from the beginning of the year for the installation of an Automated Teller Machine of a state bank.

(c) Maintenance of Offices in a Government Property and Recovery of a Rent

Three Grama Niladhari Officers of Grama Niladhari Divisions such as Maligawatte West, Maligawatte East and Panchikawatte had used a ground space with an extent of approximately 578 square feet of the Secretariat Office, Maligawatte without paying a rent. No evidence whatsoever had been made available to audit that the aforesaid space had been rented out without any correspondence thereon with the Divisional Secretariat, Colombo. Moreover, those officers had obtained a sum of Rs. 99,750 as the office allowance with their salary while operating their office in a Government property during the period from the year 2010 to the year 2014.

(d) Establishment of a Hela Osuhala of the Ayurvedic Corporation

A building with an extent of 325 square feet had been rented out on 17 November 2014 in terms of agreements for a monthly rent of Rs. 20,000 for the

establishment of a Hela Osuhala of the Ayurvedic Corporation. The Department had not taken action to commence business activities thereof or to recover the relevant rent even by the date on which the audit test check was carried out.

(e) Non-recovery of Outstanding Rates and Rents

The following observations are made.

- (i) The outstanding lease rent payable by 24 April 2013 for the post office located in the premises of the Secretariat Office, Maligawatte amounted to Rs. 8,950,005. It had been informed by Letter No.MSP/DEV/33206 of 17 June 2014 of the Ministry of Postal Services that the Cabinet Memorandum should be submitted and that the approval of the Cabinet of Ministers is due for writing off these outstanding rents. Those outstanding lease rents had not been recovered or written off even by January 2015. Even though the aforesaid land had been rented out on 01 January 1996 to the Department of Posts for maintenance of a post office, action had not been taken to enter into an agreement.
- (ii) The monthly rent in terms of the relevant agreement for the canteen with an extent of 1777 square feet maintained from 01 January 2014 amounted to Rs. 50,900 and as such, the outstanding rent of Rs. 319,900 and the fine thereon for the period of 12 months had not been recovered even by 12 February 2015.
- (iii) According to the procedure which should be followed in instances in which rent is not paid as mentioned in paragraph 3 of the agreement, action had not been taken to recover fine and rent from the security deposit.

(f) Non-confirmation of Expenses According to the Pensions Data Base

Out of the entire recurrent expenditure, 80.5 per cent had been incurred for the payment of pensions and Widows' and Orphans' Pensions. Even though a total of Rs. 135,589,336, 224 had been spent under Objects 253-1-2-2-1502(21) and 253-1-2-1-1502(11), the accuracy of that total expenditure had not been confirmed by the Pensions Data Base.

(g) Non-preparation of a Joint Control Account

According to Pensions Circular No.01/2011 of 30 January 2011 and Pensions Circular (Amendment1) No.01/2011 of 07 April 2014, the Divisional Secretariats should apply imprests for the payment of monthly pensions after preparation of a Control Account monthly relating to adjustments such as addition of new pensioners, death and transfer of documents of pensioners. Nevertheless, a Joint Control Account of the Department had not been prepared by joining control accounts so submitted to the District Secretariat.

(h) Granting Provisions for the Payment of Salaries and Allowances for Officers of the Navy

Salaries and allowances had been paid from the Navy Head Quarters to Navy officers deceased and disabled at the battlefield. The pensions of those officers had been paid by the Department of Pensions. The following deficiencies were observed at the audit test check carried out thereon.

- (i) The Navy should have paid salaries and allowances for the officers deceased and disabled at the battlefield up to the date of their retirement at the age of 55 years. As such, the cost of living allowance entitled to them had been included in the salaries and wages paid by the Navy. The Department of Pensions should pay pensions from the date on which they were deceased and disabled. However, pensions paid by the Department of Pensions as well included a part of the cost of living allowance. As such, the cost of living allowance paid by the Department of Pensions was observed in audit as an overpayment.

According to the test check carried out thereon, it was observed at the examination of payment of pensions carried out in respect of 36 disabled Navy Officers that a sum of Rs. 4,391,612 had been overpaid as cost of living allowances from the year 2008 to December 2014.

- (ii) There were instances where the Navy had not been informed by the officers disabled, deceased and missing in action and their dependents before proceeding abroad and where the living certificate had not been submitted on the due date after proceeding abroad.
- (iii) Even though retirement could be made with salaries and allowances under the position of more than 50 per cent of decrease in the earning capacity, 187 Navy Officers who had been retired with salaries and allowances under the position less than 50 per cent of decrease in the earning capacity. Even though all benefits had been paid to those officers under the provisions of the Department of Pensions, the Department had not taken steps to identify such contradictory conditions.

(i) Payment of Pensions Gratuity by Banking System

A number of 17,029 applications of pensions gratuity payable for the years 2013 and 2014 had been received to the Department by 09 April 2014. Gratuity of pensioners had been directly credited to their bank accounts using the banking system without obtaining information in respect of those applications properly. As such, the following deficiency had occurred.

Instances were observed where the funds recoverable to the Government from retired officers had not been abated from the pensions gratuity. It was observed at the audit test check carried out thereon that a total of Rs.1,741, 175 recoverable from the pensions gratuity had not been recovered in 17 instances.

4.15 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the approved cadre and the actual cadre as at 31 December 2014 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Number
(i) Senior Level	23	18	05	-
(ii) Tertiary Level	11	01	10	-
(iii) Secondary Level	1,076	874	202	-
(iv) Primary Level	75	50	25	-
(v) Other (Casual/ Temporary/ Contract basis)	-	13	-	13
Total	1,185	956	242	13

The following observation is made in this connection.

Four officers comprising 02 on casual basis and another 02 on temporary basis had been recruited. Thirteen employees comprising 04 posts of drivers, 06 posts of KKS recruited on temporary basis and 03 posts of gardener recruited on casual basis, had existed in excess.

(b) Human Resources obtained from other Parties

Information relating to the human resources obtained from other parties by the Department was revealed as follows.

Category of Employees	Number	Other Party	Period
Woman Police Sergeant	01	Department of Police	2010 - 2014
Woman Police Sergeant	01	Department of Police	2012 - 2014

5. Head 254 – Registrar General’s Department

5.1 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	Observations
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Register on Liabilities	Financial Regulation 214	Not maintained
Register of the Notary	Section 7 of the Notary Manual	Not updated
Books relating to Revenue Account of Registration Fees	Financial Regulation 128(2) (h)	Not maintained

5.2 Appropriation Account

5.2.1 Budgetary Variance

Following observations are made.

- (a) Due to excess provisions made under 24 Objects, savings after utilization of provisions were in a range between 7 per cent and 76 per cent of the net provisions relating to those Objects and reasons given for those savings could not be accepted.
- (b) The entire provisions of Rs. 12,000,000 under 03 Objects had been transferred to other Objects.
- (c) Even after transfer of estimated provisions to other Object Codes under Financial Regulation 66, it was observed that savings of Rs. 5,525,584 had exceeded 10 per cent of the provisions in 06 instances.
- (d) After making additional provisions through transferring under Financial Regulation 66 in addition to the provisions made by the initial estimate, it was observed that savings of Rs. 3,225,986 had exceeded 10 per cent of 03 Objects.

5.3 Revenue Accounts

The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to 02 Revenue Codes had been assigned to the Head of Department as the Revenue Accounting Officer. The following observations were made during the course of audit test check of those Revenue Codes.

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

The following observations are made.

- (i) According to the Annual Budget Estimate, Revenue of Rs, 1,625 million had been estimated and that estimate had been revised up to Rs. 1,200 million. Revenue collected as at the end of the year under review amounted to Rs. 1,106 million. Revenue so collected had been 92 per cent of the revised estimated revenue.
- (ii) Revenue on registration fee totalling Rs. 6.52 million was in arrears as at the end of the year under review and those arrears of revenue had been existing for a period from 01 year to 04 years. However, the Department had failed to recover those arrears of revenue even by the end of the year under review.
- (iii) Reports on half yearly arrears of revenue had not been prepared in terms of Financial Regulation 128(2).
- (iv) Out of 47 Land Registry Offices, only 32 had presented reports on arrears in Revenue and it had not been reported in a manner to identify the entire amount recoverable and arrears of revenue less than Rs.5,000 separately in those reports.
- (v) Action in terms of Financial Regulation 128(1)(b) had not been taken to collect the entire fees receivable to the Government without delay.
- (vi) Action in terms of provisions in the Financial Regulations 128(1)(h) and 128(2)(e) had not been taken in respect of the recovery of outstanding fees shown in the Registration Fees Revenue Account by the officers who were assigned with that duty

- (vii) Even though a sum of Rs. 31.66 million had been repaid out of the Revenue in the year 2014, action in terms of Financial Regulation 118(2)(b) had not been taken for the payment of Rs. 0.13 million out of that amount.
- (viii) Even though receipts of Rs. 594.59 million and payments of Rs. 31.53 million in the Revenue Account of the year 2014 had been shown as collection of Revenue and repayments of the District Secretariats, the Department had not followed a methodology in properly obtaining information from the District Secretariats for confirmation of those receipts and payments.
- (ix) Registers for Collection of Revenue of Registration Fees had not been properly updated in terms of Financial Regulation 128(2)(g).
- (x) Classification Summary Reports on marriages, issue of copies of birth and death certificates, charges for translating declarations and fees charged for registration of marriages had not been prepared for the period from January to December 2014 by the 133 Divisional Secretariats in terms of Circular No.09/2002 of 31 December 2012 of the Registrar General.
- (xi) "H" Letter Accounts which should be prepared for December 2014 had not been prepared and sent to the office even by 01 April 2015 by 27 out of 54 Land Registry Offices and Zonal Offices relating to the collection of Revenue in terms of provisions of Financial Regulation 177(4).

(b) Revenue Code Number – 10-03-08-00 Charges for issuing Annual High Courts Certificates to Notaries

The following observations are made.

- (i) According to the revised Revenue Estimate, charges for issuing Annual High Courts Certificates to Notaries had been shown as Rs. 20.00 million and out of that a sum of Rs. 17.59 million had been collected by the end of the year under review. As such, according to the revised estimate, collection of Revenue of Rs. 2.41 million had failed.

- (ii) No credit note whatsoever had been available in the Department for Revenue of Rs. 15.58 million credited to the Revenue Account by Accounts Summaries submitted by other Ministries in terms of paragraph 4.3 of Public Accounts Circular No.241/2014 of 30 December 2014.
- (iii) Revenue of Rs.15.58 million relating to this Revenue Code had been collected by the Ministry of Justice. However, out of that, a sum of Rs.666,990 had been reported to the Revenue Code of the Registrar General. As such, revenue of Rs. 14.92 million had not been brought to account under this Revenue Code.
- (iv) Adjustments in respect of deaths, entries, removals etc. had not been made in the Register of Notaries maintained by the Department in respect of Notaries and updated the Register.

5.4 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account, Item No. 25401.

- (a) According to the reconciliation statement, the total of outstanding balances as at that date amounted to Rs. 2,849,702 and those outstanding balances had been existing for a period ranging from 06 months to 28 years. However, the Department had failed to recover those outstanding balances.
- (b) Action had not been taken to recover loan balances totalling Rs. 288,745 recoverable from 138 retired officers by the end of the year under review. Out of that, loan balances totalling Rs. 198,343 had been existing for a period from the year 1986 to 1996.
- (c) Action had not been taken to recover loan balances of Rs. 116,586 recoverable from 13 deceased officers from the year 1990 to the end of the year under review. Action had not been taken to recover loan balances of Rs. 630,451 recoverable from 15 interdicted officers for a period from 1991 to the year 2012. Loan balances existing from 1990 to the year 2014 amounting to Rs. 437,394 recoverable from 24 officers who had vacated the posts, had not been recovered.

5.5 Unsettled Liabilities

The unsettled liabilities as at 31 December 2014 by Departments totalled Rs. 15.80 million.

5.6 Non compliances

Money released without Supply of Goods and Services

A sum of Rs.8.52 million had been paid to the Ceylon Electricity Board on 31 December 2013 for purchase of a Generator. Even though supplies should be made within 12 months after payments had been made according to the estimate submitted by the Ceylon Electricity Board on 09 December 2013, action had not been taken to supply the Generator even by 17 March 2015.

Even though advances of Rs. 1.70 million which is 20 per cent of the contract amount can be paid in terms of Guideline 5.4.4 (1) of the Government Procurement Guidelines, advances of Rs. 8.52 million had been paid exceeding that limit.

5.7 Human Resources Management

Approved Cadre and Actual Cadre

Cadre position as at 31 December 2014 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Number
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(i) Senior level	43	10	33	-
(ii) Tertiary Level	49	56	-	07
(iii) Secondary Level	2,162	1,702	460	-
(iv) Primary Level	462	408	54	-
(v) Other (Contract basis)	-	01	-	01
Total	2,716	2,177	547	08
	=====	=====	=====	=====

The following observation is made.

The Department had not taken action to obtain a proper approval in respect of excess cadre recruited.