

Report of the Auditor General on Head 104 –Ministry of National Policies and Economic Affairs - Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 104 - Ministry of National Policies and Economic Affairs for the year ended 31 December 2015 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 of the Ministry on 08 September 2016. 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.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and the 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 in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements, whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

The total net provision made for the Ministry amounted to Rs.15,382.31 million and out of that Rs.12,826.10 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision made for the Ministry amounted to Rs.2,556.21 million or 16.62 per cent. Details are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	2,120.69	1,925.38	195.31	9.21
Capital	13,261.62	10,900.72	2,360.90	17.80
Total	15,382.31	12,826.10	2,556.21	16.62

2.2 Advances to Public Officers Account

The limits authorized by Parliament for the Advances to Public Officers Account under Item No.10401 of the Ministry and the actual amounts are given below.

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
190.00	184.02	105.60	195.26	400.00	170.79

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Ministry of National Policies and Economic Affairs for the year ended 31 December 2015, had been prepared satisfactorily subject to the Audit Observations, appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 General Deposit Account

A sum of Rs.600,000 obtained on 04 August 2015 as monthly charges in respect of the motor vehicles given to the Ministers in accordance with the letter No. CSA/1/1/92 of 17 July 2015 of the Secretary to the President had been retained in the General Deposit Account by the Ministry without being credited to the Government Revenue in terms of the said provisions.

3.2 Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No. 10401 presented to Audit, the balances that remained outstanding as at that date totalled Rs. 7,774,633. Even though those outstanding balances remained over periods ranging from 01 year to 16 years, the Ministry had failed to recover the outstanding balances even by 31 December 2015.

3.3 Annual Procurement Plan

According to the Annual Budget Estimate, a provision of Rs.948.7 million had been made for the procurement of goods and services adhering to the Government Procurement Guidelines. The Annual Procurement Plan in terms of National Budget Circular No. 128 of 28 March 2006 had not been prepared.

3.4 Non-compliance with Laws, Rules and Regulations

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

References to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
Financial Regulation 104	729,610	Action in terms of Financial Regulation had not been taken on accidents to motor vehicles.
(b) Circulars of the Presidential Secretariat -----		
(i) Circular No.CSA/1/1/92 of 20 July 2015		Two motor vehicles belonging to the Ministry had been used for the propaganda activities of Parliamentary General Election without any payment or approval.
(ii) Circular No. SB /02/ 01 of 29 June 2015		Action in terms of circular provisions had not been taken on 03 motor vehicles valued at Rs.41 million which were not handed over as yet.

3.5 Foreign Aid Projects

An investment of US\$ 105 million including US\$ 75 million provided by the World Bank in respect of the Second Community Development and Livelihood Improvement Project (“Gemi Diriya” Project) had been made. Further, US\$ 170,213.76 (Rs.22,459,700) had been spent during the period from 22 October 2009 up to 31 September 2014. Those expenses had been shown as unqualified expenditure by the Trust Observation Report of the World Bank in the year 2015. Accordingly, the Cabinet of Ministers had decided to repay that total expenditure to the World Bank and to conduct an internal inquiry on the unqualified expenditure. Those unqualified payments had been made from the provisions obtained from Supplementary Estimates Allocation in the year 2016. Nevertheless, an internal inquiry had not been conducted on the said payments.

3.6 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i)	Senior Level	72	62	13	3
(ii)	Tertiary Level	154	97	57	-
(iii)	Secondary Level	209	222	5	18
(iv)	Primary Level	105	63	42	-
(v)	Other	04	01	03	-
	(Casual/Temporary/Contract Basis)				
	Total	544	445	120	21
		=====	=====	=====	=====

An excess cadre of 21 comprising 03 posts in senior level and 18 posts in secondary level was observed. Action had not been taken to obtain a formal approval for the excess cadre recruited.