

Report of the Auditor General on Head 108 – Ministry of Posts, Postal Services and Muslim Religious 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 108 – Ministry of Posts, Postal Services and Muslim Religious 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 to the Ministry on 30 September 2016. 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 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

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.130.90 million and out of that Rs.127.73 million had been utilized by end of the year under review. Accordingly, the savings out of the total net provision of the Ministry amounted to Rs.3.17 million or 2.4 per cent of the provision. Details appear 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	101.70	98.64	3.06	3.01
Capital	29.20	29.09	0.11	0.38
Total	130.90	127.73	3.17	2.42

2.2. Advance Accounts

Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Ministry under Item No.10801 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
4.00	2.87	1.80	2.89	25.00	10.63

2.3 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0349/0015/000 of the Ministry as at 31 December 2015 amounted to Rs.9.03 million.

2.4 General Deposit Accounts

The balance of 03 Deposit Accounts of the Ministry as at 31 December 2015 totalled Rs.0.99 million.

Deposit Account Number	Balance as at 31 December 2015
	Rs.Millions
6000/0000/00/0002/0130/000	0.06
6000/0000/00/0016/0079/000	0.67
6000/0000/00/0018/0016/000	0.26
Total	0.99

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Ministry of Posts, Postal Services and Muslim Religious Affairs for the year ended 31 December 2015 had been satisfactorily prepared, 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 observations included in the Management Audit Report appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Appropriation Account

Budgetary Variance

Excess provisions had been made for 03 Objects and as such the savings after the utilization of provisions amounted to Rs.1.88 million or ranged between 10 per cent to 56 per cent of the net provisions.

3.2 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No10801 as at 31 December 2015 presented to audit, the balances that remained outstanding as at that date totalled Rs.146,611. Even though those outstanding balances remained over 05 years, those balances had not been settled even by 31 December 2015.

3.3. Assets Management

The following deficiencies were observed during the course of audit test checks relating to the assets of the Ministry.

(a) **Assets given to External Parties**

Even though a vehicle had been given to Department of Muslim Religious Affairs, it was not formally transferred.

(b) **Irregular use of Assets belonging to Other Institutions**

A vehicle belonging to the Ministry of Finance had been utilized for the purposes of the Ministry without formally vesting. The Secretary had informed me on 26 July 2016 that the vehicle could not be transferred or to take further action as the vehicle met with an accident and had been parked in the Mt.Lavinia Courts premises as a court's item.

(c) **Unsettled Liabilities**

The liabilities incurred had exceeded the savings after the utilization of provisions made for 16 Objects by a sum of Rs.24.68 million contrary to the Financial Regulation 94(1). Out of those liabilities, a sum of Rs.12.69 million was a payable amount for the computers and accessories obtained in the year 2014.

3.4 Non-compliances

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

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Public Administration Circulars	

(i) Paragraph 2 of the Circular No.41/90 dated 10 October 1990.	The fuel consumption test of the vehicles belonging to the Ministry had not been tested once in 06 months.
(ii) Circular No.13/2008(iv) dated 09 February 2011.	Even though the monthly approved fuel limit of a Secretary of a Ministry for the official and private use was 225 liters of Diesel, the Secretary of the Ministry had obtained excess fuel amounting to Rs.95,743 exceeding the approved limit of fuel allowance from 29 January to 13 May 2015.
(b) Public Finance Circular	

Circular No.02/2015 of 10 July 2015.	Action in terms of the provisions of the Circulars had not been taken on 04 vehicles belonging to the Ministry which should be disposed.

3.5 Performance

The observations on the progress of the Ministry according to the Annual Budget Estimates and Action Plan for the year 2015 are given below.

3.5.1 Key Functions not Executed Adequately

The following observations are made.

- (a) Providing sophisticated postal service and maintained it efficiently was the one objective of the Ministry and this target should have been executed through improvement of Post Office Network. Even though the estimated value of this project which should have been completed during the year 2014 amounted to Rs.648.81 million, a sum of Rs.539.11 million only had been spent.
- (b) Even though 647 post offices and 3,410 sub-post offices should be entered into the network as in the project proposal presented for Implementation of Post Office Network Project, only 647 District Post Offices and Main Post Offices had been entered into the network by the project.

- (c) One of the main objective of the Post Office Network Project which commenced in the year 2008 was to avoid incurring losses by the Department of Post continuously and to maintain the income and expenditure in equal position. But it was unable to reached to that position even by the end of the year under review. The loss as a percentage of income from the year 2008 to 2015 had ranged from 45.5 per cent to 75 per cent.
- (d) According to the report obtained from the Computer Section relating to the income received from support services of the Network as at 31 December 2015 and according to the report of the actual income there was a difference of Rs.80.89 million in 6 items of income. Accordingly, the actual income collected was not revealed from the computer reports.
- (e) In preparing Money Order Account for the year 2014 the following identified weaknesses were revealed in the MORS Software.
- (i) The money orders of the sub-post offices for which had not the computer facilities could not be included in to the computer network in time.
 - (ii) Daily Money Order Report could not be obtained in time.
 - (iii) Sometimes the money orders could not be included in to the Pad System.
 - (iv) Even though the receipts and payments of money orders had been included in the software, it was not shown in the summary report.
 - (v) It was failed to obtain a summary of the commission of money orders paid in the District Account Offices.
- (f) The following differences were observed between the balances shown in the Reconciliation Statement of the Money Order Account of the Department in the year 2014 and the balances shown in the Computer Software due to the above mentioned weaknesses remained in the particulars included in Computer Software.

Description	Balance as per Computer Software	Balance as per Reconciliation Statement of the Money Order Account	Difference
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	Rs. Millions	Rs. Millions	Rs. Millions
Issues of Money Orders	11,337.26	12,173.17	835.91
Payments of Money Orders	11,021.29	12,116.59	1,095.30
Commission Income of Money Orders	107.06	108.64	1.58

- (g) As per the Performance Report of the preceding year, the activity of the payments of water bills should have been commenced after signing the agreements between the Water Supply and Drainage Board and the Department of Posts after completion of the Development of Network Software. Nevertheless, the above activity had not been included in to the Network Software to execute that activity even by 21 July 2016.
- (h) The customers who come to the Post Offices to obtain services had sought some other modern technological systems due to the weaknesses such as some days had spent for balancing the bills account after payment made for an electricity bill in the ordinary way and the customers' requirements could not be completed in same place.
- (i) Even though a computer software package for stamps had been introduced to account the stamp stock control under the Postal Network Project, that was limited only for activities of the Stamp Bureau. Accordingly, the activities such as Stamp Vault, Stamp Stores and place orders for Stamps in Post Offices, Issuing Stamps, Stock Control and Accounting had not been covered by that project.
- (j) Even though a considerable amount of bills had been collected from other provinces in collecting electricity bills, telephone bills, Insurance payments by the Department, that remained as a lesser amount in the Western Province. It was observed that there was a trend of shifting the people from the services rendered by the post offices with the urbanization and the development of the technology as the busy people availing their services through easy and quicken methods. Therefore, action had not been taken to retain the customers at the post offices by introducing easy and quicken methodology to compete with other institutions.
- (k) In a situation that the system was inactive when making bill payments through network project, there were instances of referring to the sub-post offices or complete the requirement in an another day without taking action to accomplish the customers requirement through another way.
- (l) In various instances the Internal Audit Section also had pointed out the deficiencies relating to the post offices under Network Project.

3.6 Irregular Transactions

Certain transactions entered into by the Ministry had been devoid of regularity. Several such instances observed are given below.

3.6.1 Deviation from the Government Procurement Guidelines Procedure

- (a) Refurbishment of the Office of the Minister
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Provisions of Rs.2,450,000 had been made according to the revised estimate-2015 for the refurbishment of office of the Minister. A sum of Rs.2,217,675 had been paid in the year 2015 thereon. The following observations are made in this connection.

- (i) Provisions of Rs.150,000 had been made according to the original budget estimate for the refurbishment. Nevertheless, the contract amounting to Rs.2,421,100 had been awarded even by 29 April 2015 to execute that activity without being making provisions.
- (ii) Even though the quotations had been called from 07 institutions without obtaining the approval of the Procurement Committee to call limited bids, only 04 institutions had submitted bids. The Ministry had failed to furnish evidence to confirm that the bid inviting letters had been sent to other 03 institutions.
- (iii) Accordingly, the opportunity to obtain most competitive bids had been deprived by the institution. As a result the quotation furnished exceeding the estimated price by Rs.203,400 had to be accepted as the lowest price.
- (iv) The contract had been awarded without obtaining the relevant approval by submitting the quotations received to the Procurement Committee.

(b) Purchase of Computers, Printers and Un-interrupted Power Supply Units

Four Computers, 01 Printer and 04 Un-interrupted Power Supply Units had been purchased for the Ministry on 08 April 2015 to the value of Rs.426,104.

The following observations are made in this connection.

- (i) The bids had been called by the Ministry from only one institution without providing fair, equal and maximum opportunity for eligible interested parties to participate in Procurement in terms of the Guideline 1.2.1 (c) of the Procurement Guidelines.
- (ii) The bid submitted for this purchase had not been furnished to the Technical Evaluation Committee for the approval.
- (iii) The bidding documents for the bids had not been prepared with the standard specifications and the bids had been invited from only one institution on 24 March 2015 and the Accountant had informed to the respective institution to supply goods by 31 March 2015.

3.7 Losses and Damage

The following observations are made in this connection.

- (i) Even though a loss amounting to Rs.296,957 had been incurred due to a vehicle accident occurred on 25 November 2014, further action had not been taken by obtaining complete report thereon in terms of the Financial Regulation 104.
- (ii) The relevant investigations relating to 03 vehicle accidents caused during the year under review had not been completed and the loss had not been assessed.

- (iii) The details of 02 vehicle accidents had not been included in the Losses Register of the Ministry.

3.8 Management Weaknesses

The approval had been sought for the Subject Minister, Co-ordinating Secretary to the Minister, Director General of the Department of Muslim Religious Affairs and the Secretary of the Ministry to travel for Saudi Arabia for enquiring the facilities of the devotees of the Haj Festival who travelled to Saudi Arabia from 05 May to 11 May 2015. However the approval had been granted on 28 April 2015 for the officers except the Secretary. The following observations are made in this connection.

- (i) The foreign travelling expenses had been paid on 27 April 2015 before approval granted for travelling and a sum of Rs.285,600 obtained by the Secretary had been retained in hand for over a period of 02 months and settled on 07 July 2015.
- (ii) As adequate provisions were not available under the relevant Object for this trip, a sum of Rs.385,928 had been incurred from Haj Funds without taking action to obtain additional provisions.

3.9 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
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(i)	Senior Level	14	14	-
(ii)	Tertiary Level	04	02	02
(iii)	Secondary Level	61	46	15
(iv)	Primary Level	30	26	04
(v)	Others (Casual/ Temporary/ Contract Basis)	04	03	01
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	Total	113	91	22
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