

Report of the Auditor General on the Head 16 – Parliament - Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of Parliament 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 General of Parliament on 14 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 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. The responsibility includes; designing, implementing, 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

Total Provision and Expenditure

The total net provision made for Parliament amounted to Rs.1,860.35 million and out of that Rs.1,731.68 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of Parliament had been Rs.128.67 million or 6.92 per cent. Details appear below.

Expenditure	As at December 2015			Savings as a percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	1,787.50	1,672.89	114.61	6.41
Capital	72.85	58.79	14.06	19.30
Total	1,860.35	1,731.68	128.67	6.92

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts Item 01601 of Parliament and the actuals are given below.

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
39.34	26.14	28.34	34.15	175.00	127.42

2.3 General Deposit Accounts

The balances of General Deposit Account No.6000/0000/00/0015/0004/000 of Parliament as at 31 December 2015 amounted to Rs. 3.78 million.

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements of Parliament 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 Non-maintenance of Registers and Books

It was observed during the course of audit test checks that Parliament had not updated the following Stock Book while certain other registers had not been maintained.

Type of Registers -----	Relevant Regulations -----
(a) Register of Fixed Assets on Computers, Accessories and Software.	Treasury Circular No. IAI/2002/02 of 28 November 2002
(b) Register of Losses	Financial Regulation 110
(c) Register of Electrical Equipment	Financial Regulation 454(2)
(d) Attendance Register of Procurement Committee and Technical Evaluation Committee.	Guideline 2.11.2 of Government Procurement Guidelines.
(e) Minutes of the Procurement Committee Meetings	Guideline 2.11.3 (a) of Government Procurement Guidelines.
(f) Register of Fixed Assets	Treasury Circular No 842 of 19 December 1978
(g) Stock Book	Financial Regulation 454(1) .

3.2 Lack of Evidence for Audit -----

The following observations are made.

- (a) The approved Scheme of Recruitment and the Promotion Scheme had not been produced to Audit.
- (b) Activities relating to taking over of the ownership of the lands in which the Speaker's Official Residence , the Jayawadanagama Staff Quarters and the General's House, Nuwara Eliya are situated and the buildings situated thereon had not been finalized.

3.3 Replies to Audit Queries -----

Replies to 08 audit queries issued to Parliament during the year under review, had not been furnished even by 30 June 2016.

3.4 Appropriation Account -----

The following observations are made.

- (a) The entire net provisions amounting to Rs.500,000 made for one Object had been saved.

- (b) Excess provisions had been made for 31 Objects and as such the savings, after the utilization of provisions, ranged between 12 per cent to 100 per cent of the net provisions relating to the respective Objects.

3.5 General Deposit Account

Action in terms of the Financial Regulation 571 had not been taken on 06 deposits totalling Rs.442,048 older than 2 years.

3.6 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2015 of the Advances to Public Officers Account Item No.01601.

- (a) Even though the loan balances of two officers deceased and retired amounting to Rs.414,539 remained over a period of 11 years since the year 2004, Parliament had failed to recover that outstanding loan balances even by the end of the year under review.
- (b) Action had not been taken to recover the loan balances totalling Rs.866,732 due from 11 officers who had vacated post although those loan balances had remained outstanding over a period ranging from 11 years to 19 years.
- (c) Loan balance of Rs.98,540 existing since the year 2007 included in the loan balance of Rs.104,040 under other loan balances had not been recovered even by the end of the year under review.

3.7 Good Governance and Accountability

3.7.1 Annual Action Plan

Even though Parliament had prepared an Annual Action Plan, it had not been prepared so as to include the matters referred to in Paragraph 03 of the Public Finance Circular No.01/2014 dated 17 February 2014.

3.7.2 Internal Audit

The following observations are made.

- (a) Preparation of Internal Audit Plan
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The Annual Internal Audit Plan had not been prepared after subjecting to prior examination and including the matters stated in the relevant format 02 as referred to in

Sections 6 and 7 of the Management Audit Circular No.DMA/2009 (1) dated 09 June 2009.

(b) Issue of Internal Audit Reports

Three internal audit reports had been issued relating to the year 2015.

3.8 Assets Management

The following observations are made.

The following deficiencies were observed during the course of audit test checks carried out on the assets of Parliament.

(a) Idle and Underutilized Assets

It was observed during the course of audit test checks that the certain assets as shown below had remained either idle or underutilized.

(i) Two hundred and seven items of goods which had not been issued since the date of purchase or the date of computerising had remained idle in the Stores. Those items included 106 items valued at Rs.3,728,225 and 101 items, the value of which had not been mentioned.

(ii) As purchases had been made exceeding the required quantity, there were 301 items representing 25 per cent to 99 per cent of the ordered goods remaining in the Stores. Out of that the value of 109 items amounting to Rs.389,448 and the value of remaining 292 items had not been mentioned.

(b) **Conduct of Annual Board of Survey**

Even though the Annual Board of Survey for the year 2015 should have been conducted and the reports thereon should have been furnished to the Auditor General before 17 March 2016, in terms of the Public Finance Circular No. 02/2014 of 17 October 2014, the Board of Survey for the year 2015 had not been conducted even by 30 June 2016.

3.9 Non-compliances

Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation 109 (b)	-	- There were instances where the copies of the directives relating to the write off from the book had not been furnished to the Auditor General.
(i) Financial Regulation 137	336,459	Ten vouchers had not been approved.
(ii) Financial Regulations 762	-	Stocks older than 10 years had remained idle in the Stores.
(b) Public Administration Circulars -----		
Paragraph 05 of the Circular No.08/2010 of 24 May 2010	248,839	Although it had been stated that the bills should not be produced to incur expenditure exceeding the maximum limit of the fuel allowance and to settle the additional expenditure incurred thereon, action had been taken contrary to that provision.
(c) National Budget Circulars -----		
Paragraph 2.1.3 of the Circular No.01/2014 of 01 January 2014	2,022,535	Although action should be taken to settle the expenditure incurred on fuel, electricity, water and transport so as not to exceed the annual provision made thereon within one month from the receipt of the relevant bills, the fuel bills pertaining to the year 2014 had been settled in May and June 2015.

3.10 Performance

Physical and financial targets had not been set in the Action Plan of the year 2015. The observations on the progress of Parliament according to the Annual Budget Estimate, Action Plan and the Performance Reports, 2015 are given below.

(a) Conduct of Sessions

Eighty two sessions had been conducted in the year 2015 comprising 41 sessions of the Seventh Parliament from 01 January 2015 to 26 June 2015 and 41 sessions of the Eighth Parliament from 01 September 2015 to 31 December 2015. The attendance of those sessions had been as follows.

Attendance	Number of Sessions relating to the period of the Seventh Parliament	Number of Sessions relating to the period of the Eighth Parliament
76-100	06	-
101-125	03	03
126-150	13	06
151-175	12	19
176-200	02	08
201-225	05	05
Total	41	41

The following observations are made.

- (i) In the examination of the participation in the sessions in the year 2015, the number of sessions that recorded over 2/3 participation of the Members of Parliament in 41 sessions of the Seventh Parliament had been 19 and the number of sessions that recorded over 2/3 participation of the Members of Parliament of the Eighth Parliament had been 32.
- (ii) Although 6 sessions of the Seventh Parliament recorded a participation of less than 100 Parliamentarians, the sessions of the Eighth Parliament recorded the participation of more than 100 Parliamentarians.

(b) Bills Office

Parliament sessions had been conducted on 82 days in the year 2015 and 17 Acts including 16 Government Bills and 01 Amendment to the Constitution had been adopted.

(c) **Development of Official Mobile Phone App of Parliament.**

The following observations are made in this connection.

- (i) A feasibility study had not been conducted on the Development of Official Mobile Phone App of Parliament.
- (ii) The Action Plan prepared for the year 2015 had not included the estimated expenditure expected to be incurred on the creation of Official Mobile Phone App.
- (iii) As the quotations had not been received according to the newspaper advertisement published for the development of Official Mobile Phone App of Parliament, quotations had been called for from 20 institutions through the e-mail, whereas attention had not been drawn on calling for quotations from the Government institutions which develop the Mobile Phone Apps.

3.11 Deficiencies in Operating Bank Accounts

The following observations are made in this connection

- (a) There was a balance of Rs.18,498,074 in 03 other Current Accounts as at 31 December 2015 in addition to the Official Bank Account of Parliament.
- (b) Action in terms of Financial Regulation 396 (d) had not been taken on 11 cheques valued at Rs.192,392 older than 06 months that had not been produced for the payments.

3.12 Transactions of Contentious Nature

Certain transactions executed by Parliament were of contentious nature. The particulars of several such instances revealed during the course of audit test checks are given below.

- (a) **Repair of the Madiwela Quarters**

The repair of roofs of Houses of Madiwela Official Quarters of Member of Parliament had been carried out with the assistance of the Department of Civil Security by preparing a gross estimate of Rs.8,003,742. A sum of Rs.5,010,500 had been spent thereon by 20 November 2015. The following observations are made in this connection.

- (i) In order to repair the quarters, 11,340 square feet of timber had been purchased at a cost of Rs.1,905,120. The Engineering Department of Parliament had used 1546 square feet of timber for 08 houses repaired by it. According to the report of the Department of Civil Security, 5600 square feet of timber had

been used for the 56 quarters repaired by the Department of Civil Security. Accordingly, a stock of 4194 square feet of timber valued at Rs.704,592 had remained without being utilized.

- (ii) For the transport of 800 asbestos sheets from Dehiwala to Madiwela in two turns for this repair and as the charges for loading and unloading those sheets, a sum of Rs.196,900 had been paid to the institute from which the above stock of timber was purchased. Nevertheless, it was observed that in calling for quotations from Yellow Pages for the same task would have been less than Rs.38,000 per turn and according to the reports of the Colombo District Prising Committee, it would have been less than Rs.30,000 per turn.
- (iii) Even though a visit was made to physically examine the repairs of the Madiwela Quarters of the Members of Parliament, no opportunity was given for that purpose and it was not possible to physically verify the removed timber and asbestos sheets.
- (iv) In the purchase of timber valued at Rs.623,700 for the repair of the Madiwela Quarters of the Members of Parliament, an agreement had not been entered into with the contractor in terms of Guideline 8.9.1 (c) of the Government Procurement Guidelines.

(b) Modernization of Souvenirs Shop

An estimates amounting to Rs.1,693,920 had been prepared to modernize the Souvenirs Shop. A sum of Rs.2,539,425 had been spent thereon. Accordingly, a sum of Rs.845,505 or 50 per cent exceeding the estimated value had been spent. The following observations are made in this connection.

- (i) An area of 16.12 square feet Of the Stores located behind the Souvenirs Shop had been covered with the use of timber of higher value such as Kumbuk. A sum of Rs.278,070 had been spent thereon. It was revealed in audit that it was not necessary to use such timber of higher value as this Stores situated behind the Souvenirs Shop was not directly visible to the outsiders.
- (ii) According to the Bill of Quantity prepared by the institute, an estimate amounting to Rs.350,350 had been prepared for fixing 6 metal shelves of 9.8 cubic meters. A sum of Rs.420,500 had been paid for fabricating 8.41 square meters of metal shelves. The space of that area was not adequate and storing and removal of the items in the shelves close to the ceiling level was found difficult. Those 06 shelves had remained underutilized and one out of the 08 shelves had to be removed from that room.

3.13 Irregular Transactions

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

(a) Deviation from the Government Procurement Guidelines Procedure

The following observations are made.

- (i) In the contract of purchase of Porcelain valued at Rs.2,699,493, the members of the Bids Opening Committee had not signed by stating the name and the designation in accordance with the Guideline 6.3.6 of the Government Procurement Guidelines and the prices quoted by each institution had not been stated in the Bids Opening Report.
- (ii) Without calling for quotations in terms of Guideline 3.4 of the Government Procurement Guidelines, 84 pair of shoes had been purchased at a cost of Rs.168,000 at Rs. 2,000 per one pair for Parliamentary staff.

3.14 Transactions of the Nature of Financial Fraud

A sum of Rs.1,827,100 and Rs.1,783,665 had been spent in the year 2014 and 2015 respectively for the purchase of goods and services including fuel, timber, transport , office equipment , kitchen implement. In the examination of the physical existence of the institution concerned it was observed that, it was not a business establishment engaged in the supply of goods and services but it was a business place carrying out transactions under 02 names using 03 letterheads appearing with identical address, telephone number and the fax number.

3.15 Losses and Damage

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

- (a) As stocks of goods had been ordered and stored exceeding the required quantity, validity of 28 items had expired. Out of that, the loss relating to identified 20 items amounted to Rs.501,982.
- (b) The stores located in 3 open areas were out of control of the main store and in the inspection of stocks of timber, a shortage of a timber stock valued at Rs.511,217 was observed.

- (c) An accident caused to a motor vehicle belonging to Parliament on 06 November 2015 had resulted in a loss of Rs.109,237, and the reimbursement of that loss had not been obtained from the Insurance Company.

3.16 Uneconomic Transaction

Particulars of the uneconomic transactions revealed during the course of audit test check are given below.

- (a) As 510 pairs of shoes had been purchased for 474 officers entitled to the uniforms of the staff of Parliament Secretariat, a sum of Rs.98,280 had been spent exceeding the requirement in respect of 36 pair of shoes.
- (b) Parliament had purchased 03 secondary coolant water pumps and retained in the stores without being installed. Although requirement for the repair of those three pumps had not arisen, spare parts amounting to Rs.939,100 had been purchased and stored.

3.17 Unresolved Audit Paragraphs

Reference to the paragraphs on which the Parliament had not rectified the deficiencies out of those pointed out in the paragraphs included in the Reports of the Auditor General on Parliament is given below.

Reference to the Report of the Auditor General		Subject under reference
Year	Paragraph Number	
2014	1.1	Register of Fixed Assets
	1.2 (a)	Non-presentation of particulars of the approved Scheme of Recruitment and Promotion to Audit.
	1.2 (c)	The particulars on the recruitments made through the parent basis had not been furnished to Audit.
2013	1.6 (a) (i)	Grant of 10 Salary increments in addition to the annual salary increment to Parliamentary Staff.
	1.6 (a) (i)	Non-formulation of Financial Regulations on Salaries, Allowances and Leave of Parliamentary Staff.

3.18 Management Weaknesses

Although the previously maintained database had been transferred to a new database in the year 2012, value of 511 items included therein had not been included in the new database and updated even by the end of the year 2015.

3.19 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
-----	-----	-----	-----
(i) Senior Level	106	100	06
(ii) Tertiary Level	138	106	32
(iii) Secondary Level	276	191	85
(iv) Primary Level	524	484	40
(v) Others(Casual/Temporary/Contract Basis)	86	82	04
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Total	1,130	963	167
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The following observations are made

- (i) Action had not been taken to fill 167 vacancies included in the approved cadre by the end of the year under review.
- (ii) Ten Salary increments had been granted in addition to the annual salary increments in 04 instances without obtaining the approval of the Cabinet of Ministers.