

The audit of the Appropriation Account, Advance Accounts Under Winding up and the Reconciliation Statements including the financial records, books, registers and other records of the Department of Public Finance –Head 245 for the year ended 31 December 2016 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 Director General of the Department on 14 August 2017. 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 and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Advance Accounts Under Winding up 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 Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.77.27 million and out of that Rs. 65.11 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision made for the Department amounted to Rs. 12.16 or 15.74 million per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	66.78	59.16	7.62	11.41
Capital	10.49	5.95	4.54	43.28
Total	77.27	65.11	12.16	15.74

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts Item No.24501 relating to the Department and the actual amounts 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
2.90	2.79	1.40	2.10	16.00	9.32

2.3 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2016, it was observed that the Appropriation Account, Advance Accounts Under Winding up and the Reconciliation Statements of the Department of Public Finance for the year ended 31 December 2016 have been prepared satisfactorily subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1. The material and significant Audit Observations out of the Audit Observations included in that Management Audit Report appear in paragraph 3 herein.

3. Material and Significant Audit Observations

3:1 Appropriation Account

3.1.1 Budgetary Variance

The following observations are made

- (a) Even though according to the Paragraph (2) of the Budget Circular No.07/2015 dated 29 December 2015, a compulsory saving of 15 per cent and 10 per cent should have been done from fuel and transport Objects respectively, it had not been so done. Similarly, a sum of Rs.3,500 and Rs.832,700 had been obtained respectively as an additional provisions for that Objects.
- (b) Excess provision had been made for 08 Objects and as such the savings, after the utilization of provisions, ranged between 4 per cent to 100 per cent of the net provisions relating to the respective Objects.

3.1.2 Unsettled Liabilities

The following observations are made.

- (a) As revealed in the examination of the payments in the year 2017, liabilities amounting to Rs.1,215,854 had not been included in the statement of liabilities.
- (b) In terms of Financial Regulation 94(i) and Section 6.4 of the National Budget Circular No.01/2014 dated 01 January 2014 , it should be confirmed that adequate provisions should be made available in the relevant Objects before commitments incurred. However, commitments had been incurred for the liabilities amounting to Rs.443,960 without such a confirmation.

3.2 Advance Accounts

Advance Accounts Under Winding-up Operations

The following observations are made in respect of the activities of 02 Winding-up Accounts under the Department by 31 December 2016.

- 3.2.1 Advance Account Item No.0999-08 Purchase and Sale of Tea, Rubber and Coconut Products and other Trading Goods and Formic and Acetic Acid including the Administration Expenditure of the Department of Commodity Purchase.

According to the Decision of the Cabinet of Ministers No.64 dated 16 July 1997, winding-up should be completed by settling its transactions immediately and in terms of financial regulation 518(3) ,within two years. However, the winding-up of the aforesaid Advance Account had not been completed despite the lapse of 20 years .

- 3.2.2 Advance Account Item No.999/407- Purchase, Collection and Sale of Local and Other Products, supply of Cold Room Facilities and Hospital Facilities Supplies of the Department of Marketing Development.

The following observations are made in this connection.

- (a) According to the Decision of Cabinet of Ministers No.13 dated 20 May 1998 and Financial Regulation 518 (3) winding-up should be completed by settling its transactions within two years. But the winding-up had not been completed even by the year under review despite the lapse of 27 years.
- (b) According to the Special Grant under Section 6(1) of the State Lands Ordinance (Chapter 454), if the transferred asset has been used by the Urban Development Authority for purposes other than applicable activities, such property should be taken over by the Democratic Socialist Republic of Sri Lanka. But no follow-up action had been taken on that property.

- 3.3 Good Governance and Accountability

Annual Action Plan and the Procurement Plan

As a difference of Rs.600,000,000 was observed between the budget estimate and the Procurement Plan prepared by the Department , it was observed that the Procurement Plan has not agreed with the budget estimate.

- 3.4 Assets Management

Conduct of Annual Board of Survey

It had been stated that actions should be taken in respect of the items of goods could be handed over to the other Government Institutions (T) before 26 February in each financial year according to the Form General 47 , in terms of Public Finance Circular No.05/2016 dated 31 March 2016. However, suitable action had not been taken in respect of the items of goods with the letter 'T' in the Board of Survey conducted in the year 2016.

The observations on the progress of the Department according to the Annual Action Plan 2016 are given below.

- (a) According to the Action Plan of the Department of the year 2016, as a reason of failure to furnish the relevant information for the examination of the progress of the end of the year, it was not confirmed at audit that achieve the expected result / adequacy of take action in that connection relevant to 05 areas of responsibilities.
- (b) According to the Budget speech declared in the year 2013, the revision of the Financial Regulations had been entrusted to the Department. Accordingly, this had been continuously shown as a key function in the Action Plans from the year 2013. According to the relevant file, printing of the Financial Regulation had been completed by January 2015. However, it had been informed that the instructions of the Secretary to the Treasury should be obtained in respect of the implementation of it, no any activity had not been carried out for that purpose during the year under review thus the relevant activity had not been completed up to date.
- (c) Actions taken on losses and write off under Financial Regulation 104 and 113 is a main component included in the duties and responsibilities of the Department and according to the Register of the Department, losses and write off of Rs.133.74 million had been carried out in the year 2015. The increase was Rs.673.66 million or 504 per cent as compared with the year 2015 due to it had been Rs.807.40 million in the year 2016. Write off the loss occurred to a vehicle of the Army at Rs.2.87 million on 07 January 2016 had not been included in the write off the losses and damages of Rs.807.40 million in the year 2016. This total write off had been reported in deficit as Rs.153.33 million wrongfully in the performance report.
- (d) Even though according to the Action Plan, it had been expected to prepare and maintain a Data Base for all assets belonging to the Public Sector and to prepare a Register of National Assets, such a Data Base or a Register of National Assets had not been maintained. Similarly, no any Circular relevant to the maintenance of a Register of National Assets had been issued. Even though collection of information on the management of Public assets and analysis is a duty of the Department, the Line Ministry had to establish a separate office for this duty due to failure to fulfill the activities planned during the year in this connection as mentioned above.

- (e) In terms of Financial Regulation 153, after the receipt of the Report of the Committee on Public Accounts, the Treasury will issue, under the hand of the Secretary to the Treasury, on the instructions of the Minister of Finance, Minutes relating to the various matters dealt with in the Report. It is the duty of all Chief Accounting Officers and Accounting Officers to study the Report and the Treasury Minutes thereon, and be guided by them with regard to future financial operations. Even though it had been informed to audit that the relevant minutes for that reports for the financial years from 2005 to 2010 issued, the minutes relevant to the Committee on Public Accounts issued after that date had not been issued up to now.
- (f) According to the Budget Proposals No.425 and 426 of 2016, proposals had been made for the revision of all statutory and non-statutory Funds, to generalize the existence of the Funds thereof, to amend the statutes relevant to that Funds as adjust the current requirements and further the receipts and payments of the Funds bring under the control of the Parliament as well. The following matters are observed in this connection.
- (i) The additional provision obtained relevant to this task amounting to Rs.10.80 million and out of that, a sum of Rs.4.13 million had been paid for the members of the committee members appointed for that. However, a proper approval had not been obtained in that connection.
- (ii) According to the Budget proposals, all statutory and non-statutory Funds should be reviewed. However, the Funds had been categorized as public and non-public by the Committee Report and 105 non-public Funds had not been considered under the review. The statutory Funds also had been included in that non-public Funds. Further, the Committee had reported that several Funds had not been reported to the Department and actions should be taken later for review separately the 10 Funds valued at Rs.16.97 million by taking special permission. Accordingly, it was observed that the Department had failed to achieve the objectives expected by the Budget proposals completely.
- (iii) At the same time, if the opinion of the Committee is to the functions / service expected by the fund had not been occurred or maintaining of that fund is unfair, that Fund should be taken under the Annual Appropriation Act, from the financial year of 2017. It had been mentioned in the appointment letters of the appointing members for the main committee. However, issuing of committee report and presentation of recommendations to the Sectoral Committee on Economic Development had been delayed up to the end of June 2017. Accordingly, that expected activity as well as justification of the existence of that Funds and amendment of the statutes relevant to that Funds as adjusted to the present requirements had not been occurred up to now.

3.6 Irregular Transactions

The following observations are made relevant to printing and distribution of Receipt Books of General 172 by the Department.

Issuing of receipts of General 172 for Ministries /Departments , Government offices had been done by the Department. The Government Printing Press had printed 10,000 receipts books at a time. Those books had not been brought to the Department due to lack of space in the Department and only a few quantity is brought to the Department time to time. It was observed that the receipt books are issued only from the Government Press to the relevant Institutions in many occasions. However, those receipt books had been misplaced as serials at printing stage in several occasions and it was observed that in the examination of the Stock Register maintained by the Department that the books issued at printing had not been issued according to the order of the serial number. As receipt Books directly contact with cash, records should be maintained by following a proper procedure . However, there were some deficiencies and weaknesses in the records maintained. Therefore, it was observed that suitable actions had not been taken in this connection.

3.7 Human Resources Management

Approved Cadre and Actual Cadre

The position on the approved, actual and vacant cadre as at 31 December 2016 had been as follow.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	28	17	11
(ii) Tertiary Level	02	02	00
(iii) Secondary Level	33	30	03
(iv) Primary Level	17	14	03
Total	80	63	17

The following observations are made.

- (a) As 17 vacancies were existed out of the 80 posts in the approved cadre of the Department , it had been 21 per cent from the approved cadre and 11 Senior Level posts were existed within these vacancies. However, it had been informed to audit that those vacancies had not been considered as a barrier for the activities by reorganizing the structure of the Institute and using information technology. Accordingly, it was observed that attention could be paid on the review of the cadre.

- (b) The post of Director General as well as the post of Additional Director General of the Department had been filled by acting appointments by 31 December 2016 and one post of Additional Director General out of 03 Posts was remained vacant up to now.
- (c) Even though a female officer had been appointed under the covering approval of the Public Services Commission from 02 May 2013 for the post of Additional Director General filled on acting basis, even the evidences for obtaining covering approval in that connection even by 27 July 2017 ,the date of audit was not presented to audit.
- (d) Even though the post of Plan Implementation Assistant which is a Secondary Level post was not an approved post, 03 officers had been deployed in that post over a number of years. Actions had not been taken even by 14 August 2017 to obtain the relevant approval.
- (e) It was observed that certain vacancies had been remained over many years and interruptions could have been occurred in the fulfilment of the objectives/functions of the Department due to actions not taken to fill that vacancies. However, the Department had informed to audit that existence of vacancies was not an interruption to the activities of the Department.