

Report of the Auditor General on Head 253 - Department of Pensions - Year 2016

Head 253 - The audit of the Appropriation Account, Revenue Account and the Reconciliation Statements including the financial records, books, registers and other records of the Department of Pensions 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 19 September 2017. 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 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, Revenue 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 Department amounted to Rs. 200,662.97 million of which Rs. 199,137.93 million had been utilized by end of the year under review. Accordingly, savings out of the total net provision of the Department amounted to Rs. 1,525.04 million or 0.76 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Million	Rs. Million	Rs. Million	
Recurrent	200,622.97	199,105.43	1,517.54	0.75
Capital	40.00	32.50	7.50	18.75
Total	200,662.97	199,137.93	1,525.04	0.76

2.2 Revenue Account

Estimated and Actual Revenue

The Department had estimated revenue aggregating Rs.18,500.00 million on 02 revenue codes for the year 2016 and the revenue collected during the year under review aggregated Rs.18,046.17 million. Accordingly, the revenue collected was Rs.453.83 million or 2.45 per cent less than the estimated revenue. Details are as follows.

Revenue Code	As at 31 December			Deficiency, as a Percentage of Estimate
	Estimated Revenue	Actual Revenue	Deficiency	
	Rs. Million	Rs. Million	Rs. Million	
29.04.01.00	12,000,000	11,956.53	43.47	0.36
20.04.02.00	6,500,000	6,089.64	410.36	6.31
	18,500.00	18,046.17	453.83	2.45

2.3 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for Item No.25301, Advances to Public Officers Account of the Department and the actual amount are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
40.00	39.99	25.00	25.19	150.00	115.49

2.4 Imprest Account

The balance of the Imprest Account of the Department bearing No. 7002/0000/00/0062/0016/000 as at 31 December 2016 amounted to Rs.66,986.

2.5 General Deposit Account

The balances of 03 Deposit Accounts of the Department as at 31 December 2016 amounted to Rs. 13.75 million. Details are as follows.

Deposit Account Number	Balance as at 31 December 2016
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	Rs. Million
6000/0000/00/0016/0103/000	1.29
6000/0000/00/0013/0113/000	12.05
6000/0000/00/0001/0114/000	0.41
Total	13.75
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2.6 Audit Observation

The Appropriation Account, Revenue Account and the Reconciliation Statements of the Department of Pensions for the year ended 31 December 2016 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 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

The Department of pensions had not maintained certain registers as shown below. It was observed at audit test checks that certain registers had not been updated and properly maintained.

Type of Register	Relevant Regulation	Observation
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(i) Register of vehicles	Financial Regulation 110	Not maintained
(ii) Register of electrical equipment	Financial Regulation 454 (2)	Not maintained
(iii) Register of securities	Financial Regulation 891(1)	Not maintained

(iv)	Stock books relating to fuel and lubricants	Financial Regulation 1647 (d)	Not maintained
(v)	Register of fixed assets for computers, accessories and software	Treasury Circular No. IAI/2002/02 of 28 November 2002	Not updated
(vi)	Register of minors	Pensions Circular No. 08/2011 of 04 November 2011	Not updated

3.2 Lack of Evidence for Audit

The following observations are made

- (a) Test checks carried out in audit at Kolonnawa, Divulapitiya and Kaduwela Divisional Secretariats in 2016 regarding payment of pensions revealed that a total sum of Rs.68.77 million had been paid to 182 pensioners as pension. The files of the related pensioners had not been presented for audit so as to confirm the correctness of those payments.
- (b) The retirement gratuity loans payable as at 31 December 2016 amounted to Rs.30,612.71 million. The Department had not prepared a list of individual balances containing details such as the name of the pensioner, national identity card number and the pension number. As such, the correctness of the loan balances payable could not be reconciled and examined with the pensions data system.
- (c) According to the pensions circular No.15/2014 of 21 November 2014, all Divisional Secretariats are required to send the files of pensioners who are staying abroad for over one year to the foreign pensions division of the Department of Pensions. The Kolonnawa Divisional Secretarial had not maintained correct information of files so sent. Meanwhile, the foreign pensions division of the Department of Pensions had also not properly entered and maintained information relating to the files so received.

3.3 Replies to Audit Queries

Replies for the Management Audit Report of 2015 had not been furnished even by October 2017.

3.4 Appropriation Account

The correctness of the Appropriation Account could not be satisfied in audit due to the audit observations revealed during the course of examination of the Appropriation Account of the Department furnished for audit.

(a) Preparation and Presentation of Accounts

Fifteen instances of statistical variations among copies of the Appropriation Account prepared in three languages were observed.

(b) Budgetary Variances

The following observations are made

- (i) Provision had been made in excess of the requirement for 18 Objects. As a result, the savings after utilization of those provisions ranged from 7 to 49 per cent of the net provision of those Objects. Accordingly, the reasons furnished by the Department for the savings in provision of the Appropriation Account could not be accepted in audit.

- (ii) A provision of Rs.23,400.00 million had been made in the annual budget estimates of 2016 under the Object No. 253 – 1 – 2 – 1501(1) for payment of salaries and allowances to those service personnel's' who had met with accidents and who had expired. The provision was inadequate and as such a sum of Rs.3,372.43 million had been transferred from other Objects under the virement procedure. Out of the provision so transferred, a sum of Rs.93.39 million had been saved by end of the year under review due to obtaining extra provision as a result of not correctly estimating the required provision.

(c) Expenditure not being properly brought to Account

The following observations are made

(i) Weakness in the control over Expenditure

Provision had been made in the annual budget estimates of 2016 for 03 sub objects under the Object No. 253 – 01 – 02 – 1 – 1502 for pensions to public servants, retirement gratuities and railway warrant allowances. But, the Divisional Secretarial had maintained votes ledgers in such a manner so as to show the expenditure under the main Objects without utilizing the provision in the sub objects. As a result, it was observed that the control over expenditure, as expected by the Department, had not been accomplished.

(ii) Loan instalments payable to State Banks by pensioners on behalf of retirement gratuities not being disclosed in the Appropriation Account

The pension gratuities to be payable to 63,626 pensioners for the period 09 April 2014 to 31 December 2016 amounted Rs.33,047.56 million. The said retirement gratuities had not been paid by the Department. Instead, it had been paid to the

pensioners through the revolving loan fund obtained from State Banks which was expected to be paid during 18 years to the banks and a memorandum of understanding had been entered into between the Department of Pensions and the banks in this connection. Meanwhile, monthly payments of interest on loans was payable to the banks by the Department. Accordingly, the amount payable to the banks by the Department by 31 December 2016 amounted to Rs.30,612.70 million.

(iii) Payment of interest on behalf of the retirement gratuities paid to the pensioners by the bank.

The interest on loans payable to banks had been paid by the Department as the banks make payment of retirement gratuities. The interest paid to banks for the loan facilities during the year under review amounted to Rs.2,404.69 million and the amount paid for the period 09 April 2014 to end of 2015 amounted to Rs.2,209.06 million. The interest so paid had not been accounted under Object 1601. But, it had been erroneously accounted under the Object 253-01-02-1-1502 (II), the Object relating to payment of retirement gratuities. Accordingly, the expenditure on retirement gratuities had been overstated and the expenditure on interest had not been brought to account. As a result, the expenditure on interest for loans had been understated in the State Accounts of the Republic of Sri Lanka by Rs.2,404.69 million and Rs.2,209.06 million respectively for the year under review and for the prior years.

(iv) Inability to recover loan instalments of retirement gratuities payable by the Pensioners

The Department steps into pay the instalments pending whenever a pensioner dies before recovery of about 60 per cent of the gratuity loan granted to him. As such, a method had not been adopted to identify the information relating to the payment of those instalments.

(d) Abatements of retirement gratuities not Accounted for

Evidence to confirm that the abatements from retirement gratuities had been correctly brought to account had not been furnished to audit. Certain such instances appear below.

- (i) Audit test checks revealed that the Department of Pensions had settled Rs.94.99 million to the relevant ministries and departments after recovering the dues on arrears of loan balances of advance to public officers from the pensions and death gratuities of officers who had retired / died. However, according to the reconciliation statements prepared by the ministries / departments as at 31 December 2016, the said arrears of loan balances had not been settled.

- (ii) According to the information obtained from the Treasury with regard to 27 ministries and 64 departments of the Central Government, the sum of Rs.138.02 million recovered from gratuities of pensioners who had retired/ died by 31 December 2016 had not been brought to account
- (iii) The Department of Pensions had recovered Rs.385.05 million from the retirement gratuities of 4,318 officers of the Central Government in 2016 and had provided it to the ministries and departments in order to settle the recoveries due to the government. The ministries and departments concerned had not utilized Rs.19.79 million of this provision. As such, the amount concerned had not been brought to account as expenditure on gratuities.
- (iv) A test check was carried out regarding officers who had retired / died after serving in Provincial Councils and local authorities and it was revealed that although a sum of Rs.50.20 million had been deducted from those officers' retirement gratuities by 31 December 2016, those abatements had not been settled even as at that date.

(e) Non confirmation of the correctness of Expenditure and Surcharges

The following observations are made

- (i) The District Secretarial had intimated the payment of pensions and the related surcharges to the Treasury through monthly summaries and the Treasury had brought those expenditure and surcharges to account under the departmental heads. Reconciliations had not been made by obtaining the information relating to the debit and credit notices of expenditure and surcharges from those District Secretarial in order to confirm the correctness of those accounting.
- (ii) The Ministry of Foreign Affairs had intimated the foreign pension payments and surcharges for the period January to October 2016 to the Department of Pensions by debit and credit notices. The Department had not reconciled those debit and credit notices in order to identify the differences between the books of the Ministry and the Treasury. The variations in expenditure between the Treasury printouts and books of the departments for the months of July, August and September 2016 amounted to Rs.2.40 million
- (iii) The particulars of pensioners and the reasons thereof as per information furnished by the Ministry Foreign Affairs under the credit notices had not been examined. As such, action could not be proceeded to recover the pensions that had been paid after the death of pensioners.

(f) Establishment of a Centralized Data System by amalgamating the entire data base of pensions which had hitherto been Decentralized

The following observations are made

- (i) A Centralized Data System had been established by Divisional Secretariats by amalgamating the entire data base of pensioners which had hitherto been decentralized with the objective of avoiding errors and misappropriations caused during the payment of pensions at the Divisional Secretarial level. Accordingly, monthly payment of pensions had commenced from January 2015. The Centralized Data Base referred to above had not been confirmed by carrying out a census regarding pensioners. As such, it had not been confirmed whether the fraudulent aspects prevailed in the previous data system and the shortcoming in the information relating to pensions continued to be present in the new data system too.

- (ii) Action had not been taken to establish strong internal control methods within the centralized data system and the personal operating system in order to avoid errors and frauds that could occur during the restructuring of pension payments through the new centralized data system stated above.

(g) Non-maintenance of Control Accounts

The following observations are made.

- (i) A control account had not been maintained for the initial payment of pensions and the payment of gratuities under bank loans.

- (ii) The monthly pension payment reconciliation reports prepared for monthly pension payments had not been prepared before payment of monthly pensions and its correctness confirmed so as to confirm the correctness of monthly pension payments.

3.5 General Deposit Accounts

The following observations are made.

- (a) A list of lapsed deposits had not been prepared at the end of each half year as required by the Financial Regulation 571(1).

- (b) The cheques for Rs.37,267 drawn for payment of arrears of pensions to 03 pensioners had been returned without payments being made. Action had not been taken to intensify the payments concerned to the pensioners. Instead, it was lying in the Deposit Account for over one year, that is, from 05 May 2016 to October 2017.

3.6 Imprest Account

The following observations are made.

- (a) The sources of revenue such as, the sum of Rs.40,467,858 relating to maturity of investments and the interest thereon on behalf of the local government service widows/widowers/orphans' pension fund contributions the local government pensions fund contributions amounting to Rs.125,560,435, 6 per cent contributions of the teachers' pension amounting to Rs.13,355,549, the 25 per cent contributions of officers released on secondment amounting to Rs.12,332,336, the rent of auditorium amounting to Rs.33,000 and the receipt of unpaid pensions items had not been taken into consideration while preparing the annual imprest plan and the imprest limits of the Department of Pensions.
- (b) Apart from the receipt of imprests, the Department had obtained Rs.27,643 million as other income during the year under review. An analysis of monthly receipts according to the type of income had not been prepared.
- (c) Requests for imprests stating the monthly requirement for recurrent and capital expenditure had not been made in Form TOD/IMP/4 as per Circular No. 08/2015 of 14 December 2015.
- (d) Imprests for recurrent and capital expenditure had not been made by proper preparation of imprest plans, and by proper disclosure of surplus cash in all bank accounts through the official bank accounts. As such, instances were observed' as shown below, that there was idle money in the Department and it was observed that the Department had not assisted even the Treasury to maintain its financial management.
 - (i) According to the cash book of the official bank account of the Department of Pensions, cash balances ranging from a minimum of Rs.89.25 million to a maximum of Rs.662.24 million remained idle as at the end of each month.
 - (ii) Balances remaining idle in other bank accounts used for payment of pensions ranged from Rs.307,605 to Rs.121,874,202 at the end of each month.
 - (iii) According to the cash book maintained for collection of Widow's and Orphan's Pensions contributions, the balances of cash at the time of calling for imprests during each month ranged from a minimum of Rs.12.88 million to Rs.1401.20 million.
 - (iv) The contributions collected in the Local Government Services Pensions Fund had only been transferred to the General Account of the Department only at the end of each month. As such, cash balances ranging from

Rs.1.51 million to Rs.11.82 million remained idle during the first two weeks of each month.

- (v) According to the matters stated above, it was revealed that there was excess cash in the Department always as a result of not making requests for imprests without revealing the entire cash in hand. Meanwhile a sum of Rs.191.60 million had been paid during the year 2016 without obtaining imprests from the Treasury to 241 pensioners before the due date on which pensions should have paid.

- (e) A sum of Rs.3,848 million had been provided to the District Secretariats for payment of pensions in 2016. According to the Treasury printouts, the expenditure amounted to Rs.4,031million. Accordingly, a sum of Rs.183 million had been paid in excess of the amount provided. The cause for variations had not been explained.

3.7 Revenue Account

The duties of preparation of revenue estimates, collection of revenue, accounting and presentation of accounts pertaining to 02 Revenue Codes had been entrusted to the Head of the Department in his capacity as Revenue Accounting Officer. The following deficiencies were observed during the course of audit test checks of expenditure relevant to those Revenue Codes.

- (a) Revenue Code 20.04.01.00 – Social Conservation Contributions (Central Government)
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The following observations are made.

- (i) The total of the monthly social conservation contributions of other institutions of the Central Government, except the Department of Pensions, aggregated Rs.11,757.82 million. The monthly variations of those receipts ranged from a negative value of Rs.82,640,212 to a positive value of Rs.160,521,197. The statistical wise reason for these variations had not been explained to audit.

- (ii) The receipt of monthly Social Conservation Contributions under the Department of Pensions ranged from Rs.6.74 million to Rs.32.10 million. The schedules relating to monthly receipts of contributions of officers and the contributions recovered wholly or by any other means at the time of retirement of officers had not been furnished for audit.

- (iii) According to the Pensions Circular No.1/2001 dated 15 January 2001, the report containing debits and credits of contributions of each month should be furnished before 15th of the following month through monthly summaries. However, the respective institutions had not furnished those reports. The

Department of Pensions had also not taken action to receive those reports monthly.

- (iv) Refunds from income amounting to Rs.3,546,645 had been made during the year under review. Debit advices had not been obtained from the related institutions to confirm Rs.2,792,786 of those payments as required by the Pensions Circular No.1/2001 of 15 January 2001.
 - (v) Contributions of 36 officers of the Department of Railways who had gone on no pay leave had not been recovered for the period 2007 to 2013.
 - (vi) The Department of Pensions had not taken action to maintain a data system relating to government servants who had been registered under the social conservation scheme.
 - (vii) A register had not been maintained to record the contributions of officers of the central government and provincial councils who had been released on secondment. As a result, the information relating to their arrears also could not be revealed.
 - (viii) Action had not been taken to maintain separate books for Revenue Heads divided into 2 Revenue Codes namely, 20:04:01:00 (Central Government) and 20:04:02:00 (Provincial Councils)
 - (ix) The Department of Pensions was not in possession of proper methods to confirm whether the contributions due had been definitely and continuously received from persons who become entitled to benefits such as widows/widowers' and widows' and orphans' pensions and refund of contributions.
- (b) Revenue Code No.20:04:02:00 – Social Conservation Contributions (Provincial Councils)

The following observations are made.

- (i) The Department of Pensions had not taken action to maintain a data system for the government officers who had been registered under the Social Conservation Scheme.
- (ii) The Department of Pensions was not in possession of proper methods to confirm whether the contributions due had been definitely and continuously received from persons who become entitled to benefits such as widows 'w/widowers' and orphans' pensions and refund of contributions.

- (iii) Action had not been taken to receive cheques on an institutional and provincial council level before 05th and 20th respectively of the ensuing month in accordance with Sections 2.1 and 2.2 of the Circular issued by the Director General of Pensions No.01/2001 of 15 January 2001.
- (iv) Monthly Social Conservation contributions received at the Department from Provincial Councils were of different values. The social Conservation contributions by end of the year under review amounted to Rs.6,089.79 million. The monthly variances of those receipts ranged from a negative value of Rs.411.84 million to a positive value of Rs.358.85 million. Statistical-wise reasons had not been furnished for these variances.
- (v) About 600 cheques per month had been received on an average on an institutional-wise level from the Central and Western Provincial Councils and on a total basis from other provincial council institutions under the Revenue Codes. A suitable internal control method was not in existence by updating the registers in which the income had been credited to the Revenue Code according to heads on an institutional level. In order to confirm whether the monthly contributions from the respective institutions had been correctly received on the due dates and whether there were arrears. Accordingly, the correctness of the income of Rs.6,089.64 million collected during the year under review could not be confirmed.
- (vi) A register had not been maintained in respect of contributions from government officers who had been released on secondment. As such, the information relating to the arrears of contributions could not be revealed.
- (vii) Cheques aggregating Rs.990,311 received as income during the year under review had been returned to the institutions concerned without being brought to account as they had been defaced and their period of validity had expired. The register of cheques returned had not been updated so as to take follow up action regarding the cheques so returned which amounted to Rs.990,311 million. Action had not been taken to show it as arrears of revenue.
- (viii) The arrears of revenue by end of the year under review amounted to Rs.528.56 million as per Revenue Account. The value reported by the provincial council alone had been brought to account as arrears of revenue. Meanwhile, the arrears of revenue of the Central and Western Provincial Councils as well as the income of local authorities had not been brought to account. The correctness of arrears of revenue could not be confirmed as a result of not maintaining a register by properly entering the contributions in it.
- (ix) According to the information received from 05 provincial councils, the value shown as contributions of Widows and Orphans payable as at 31 December 2016 and the amount appearing in the Revenue Account under those provincial councils differed by Rs.96.87 million.

- (x) Adequate information regarding the contributions receivable as well as the contributions received had not been maintained and as such the Department of Pensions had failed to recover arrears of revenue without delay and to make necessary provisions.
- (xi) Although the registered numbers of civil government officers had been notified for collection of social security contributions, such registered numbers had not been delivered for the social security contributions of the officers of the armed forces. As a result, two difference methods had been adopted while making retirement benefits to officers of the same category.
- (xii) Action had not been taken to maintain separate records for the Revenue Code 20:04:01:00 (Central Government) and the Revenue Code 20:04:02:00 (Provincial Councils).

(c) Arrears of Rent

The extra space available in premises of the Department of Pensions had been offered to 14 institutions and the lease rent of Rs.75.38 million to be added to the state revenue as at 31 December 2016 remained as arrears. Of these, a sum of Rs.36.58 million was due from 05 institutions which had now vacated the premises. The recovery of those arrears of revenue had become suspense.

3.8 Reconciliation Statement of the Advances to Public Officers' Account

The following deficiencies were observed at audit test checks carried out with regard to the reconciliation statement of the Advances to Public Officers' Account ,Item No.25301, as at 31 December 2016.

- (a) According to the reconciliation statement furnished for audit, the balances due from officers who had been transferred and had vacated posts as at that date aggregated Rs.1.32 million. Those arrears ranged fore period of 01 to 25 years. But, the follow up action taken on behalf of recovery of those balances was at a weak level.
- (b) The balance of Rs.4,796 which remained unsettled for many years had not been settled even by end of the year under review.
- (c) The differences between the balances of the individual balance classifications and the control account balances amounting to Rs.52,217 continued to be brought forward from the past years without being settled even by end of the year under review.

3.9 Good Governance and Accountability

Internal Audit

The following observations are made.

- (a) Replies were pending for 20 out of 29 audit queries issued during the year under review.
- (b) Attention had not been paid to 07 fields of audit included in the Audit Plan of 2016.

3.10 Assets Management

The following deficiencies were observed during the course of audit test checks with regard to the assets of the Department.

(a) Conduct of Annual Board of Survey

The following observations are made.

- (i) The annual board of survey should be conducted every year and the report should be furnished to the Auditor General before 31 March in terms of the Public Finance Circular No.05/2016 of 31 March 2016. However, the Department had furnished the report on 23 June 2017, after a delay.
- (ii) The board of survey reports of the premises of the Department of Pensions, holiday resorts of Kelaniya, Wedamulla and Ramboda for the year 2016 had been furnished on 23 June 2017, according to which shortages and excesses in 282 items of goods of 09 varieties had been revealed. These balances had not been reconciled.
- (iii) According to the board of survey report 2016, shortages in 251 items of goods of 17 varieties had been revealed at the Wedamulla holiday resort. Action had not been taken in terms of Financial Regulation 757(2) in this regard.
- (iv) According to the General 47 report, the unusable and destroyable goods denoted (D) 51,336 and 39 were in existence at the Department of Pensions, Kelaniya Wedamulla holiday resort and the goods that could be refurbished denoted (R) 09, 07 and 04 were in existence at the Ramboda holiday resort. Meanwhile, 03 items of goods and 1032 items of goods had been identified for sale by calling for tenders at the premises of the Department and the Kelaniya Wedamulla holiday resort. Action had not been pursued in this connection even by 23 June 2017.

3.11 Unsettled liabilities

The following observations are made,

- (a) The unsettled liabilities of the Department of Pensions as at 31 December 2016 aggregated Rs.62,680.91 million.
- (b) Details of liabilities caused had not been entered in the votes ledger in terms of Financial Regulation 447.

3.12 Non-compliance

----- Non-compliance with Laws, Rules and Regulations -----

Insatances of non-compliance with laws, rules and regulations observed at audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Statutory Provisions -----		
Section 41 of the Widows' and Orphans' Ordinance No.01 of 1898	166,963	Any dues from pensioners should not be set off from the Widows' and Orphans' Pension after the death of the pensioner. However, a sum of Rs.166,963 had been deducted from the Widows' and Orphans' pensions of 05 pensioners of the Kotte Divisional Secretariat.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----		
Chapter V Section 2.5.3		(i) Twenty five per cent of the new consolidated salary should be obtained from officers who are seconded for services in state corporations. However, a proper procedure was not in existence to identify the officers so released. A register had also been not maintained with regard to officers who had remitted their contributions.

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

(i)	Financial Regulations 137, 138 and 139		956,901	(i) Adequate consideration had not been paid for approving certifying and making payments. As such, instead of paying Rs.211,375, a sum of Rs.1,116,640 had been paid to 4 pensioners resulting in an overpayment of Rs.956,901.
			48,117	(ii) According to the computed pensions denoted in the award letters and the pensions denoted in the pensions data system, a total sum of Rs.48,11 had been paid less to 2 pensioners, made up of Rs.16,914 for the period January 2014 to July 2015 and Rs.31,203 for the period August 2013 to August 2016 respectively.
(ii)	Financial Regulation 138(8)		105,667	A total sum of Rs.105,667 had been paid on 04 instances by certifying the photocopies of bills instead of certifying the originals required for confirming payments.
(iii)	Financial Regulation 156(5)		16,035,063	It was revealed at audit test checks that 09 paid vouchers valued at 16.03million had been tippexed and alterations had been made in red ink without initialling the alterations.
(iv)	Financial Regulation 170(2)		176,500	A sum of Rs.9947965 had been donated to the Department by 19 private institutions during the period April to March 2016. Of these, a sum of Rs.1,765,000 had been spent during the year under review without acting in accordance with the financial regulations.
(v)	Financial Regulation 261(1)		-	Paid vouchers had not been prepared in a serial order.

(vi)	Financial Regulation 262(2)	427,873	Payments had been made for 12 paid vouchers without affixing the “paid” stamp on them, as required by the financial regulations.
(vii)	Financial Regulation 262(2) and 237	25,410,110	Payments had been made for 08 paid vouchers without the documents confirming payments annexed to them, as required by the financial regulations.
(viii)	Financial Regulation 271(3)		- Arrears of pension amounting to Rs.564.89 million and revised gratuity amounting to Rs.1,118.00 million had been paid by preparing paying vouchers using 2 cash books under the official bank account. However, those paid vouchers had not been furnished for audit.
(ix)	Financial Regulation 396(d)	174,923	Action had not been taken even by end of the year under review in terms of the financial regulation with regard to 15 cheques issued, but remaining unrepresented to the bank for over 6 months.
(x)	Financial Regulations 880 and 881		- Security deposits had not been obtained from officers of the Department who deal with payment of pensions.

(d) Pensions Circulars

 (i) Paragraph 10 of the
 Circular No.07/2015 of
 06 November 2015

- Pension anomalies in 102 files had been rectified for the period January to August at the Kolonnawa Divisional Secretariat Those payments had not been certified by the Accountant even by end of the year under review.

(ii) Circular No.06/2013
 of 03 December 2013 and
 the letter No.02 of 14
 June 2011

979,946

(i) Unpaid pensions of 15 persons aggregating Rs.979,084 at 11 Divisional Secretariats during the period January to August 2016 had been retained in the Deposit Account without being remitted to the Department of Pensions.

- 9,657,084 (ii) Eleven Divisional Secretariats had retained unpaid pensions aggregating Rs.9,657,084 in their General Deposit and had remitted it to the Department of Pensions after a delay. Accounts for 11 to 26 months and
- 3,201,907 (iii) Although the Kolonnawa Divisional Secretariat had retained the unpaid pensions of 55 pensioners aggregating Rs.3,201,907 in its General Deposit Account during July to 05 December, the Department of Pensions the Department of Pensions had not taken action to intensify receipt of money.

3.13 Performance

 The observations on the performance of the Department as per annual budget estimates and the action plan of 2016 appear below.

(a) Inadequate fulfillment of Main Functions

 Certain instances where some of the main functions had not been adequately fulfilled appear below.

- (i) Twenty one applications and 198 applications respectively had been presented to the Department during the period 2013 to 2015 and during the year under review respectively to obtain medical recommendations to initially confirm the disability and to confirm the disability every 05 years. Medical recommendations had not been obtained for those applications even by end of the year under review.
- (ii) An application for pension had been received at the postal branch of the Department of Pensions on 02 December 2015. 164 days had elapsed from the date of receipt and the date on which approval had been granted by the registration branch. The revised award letter had been referred to the Divisional Secretariat on 07 July 2016. However, the arrears of pension had not been paid even after a delay of 155 days from the day concerned.

(iii) Various state institutions had forwarded 25 files and 12 files respectively to the Department in 2016 for payment of special compensation and the compensation due on pensions. Payments had been made on behalf of 10 files and 03 files only by end of the year under review.

(iv) The method of payment of arrears of pension due to revision of pension had been restructured. While doing so, pre consideration had not been made with regard to the adequate staff and space needed. As a result, the benefits entitled had not been made, as expected.

(b) Planning

The action plan and the procurement plan respectively had not been prepared in terms of the Public Finance Circular No.01/2014 of 17 February 2014 and the National Budget Circular No.128 of 24 March 2006. The following were instances where action had not been taken in accordance with those plans.

(i) A sum of Rs.6,703,403 had been spent in excess of the limits provided for 09 Objects shown in the Procurement Plan of the year under review.

(ii) A sum of Rs.6,080,077 had been spent for 10 activities not included in the Procurement Plan of the year under review.

(iii) A sum of Rs.11.70 million had been provided to execute 11 capital activities in the year 2016. However, none of these activities had been executed by end of the year under review.

(c) Failure to evaluate the performance of entitlement of Pensionary Benefits

Information had been called for in accordance with the specimen form so as to evaluate the performance of entitlement of pensionary benefits of 4 divisions of the Department with regard to registration, computations, foreign pensions and Widows' and Orphans' pension. However, 2 divisions had furnished incomplete information. The other 2 divisions had not furnished any information to audit even by 15 September 2017. As such, adequate information had not been furnished to examine the performance of those divisions.

3.14 Losses and Damages

The observations relating to losses and damages revealed at audit test checks appear below.

(a) According to 12 audit queries issued regarding payment of pensions, a sum of Rs.169.60 million had been overpaid to 2,213 pensioners, made up of Rs.128.88million pertaining to a period after the restructure and Rs.40.72 million before the period of restructure. The recovery of those overpayments had not been efficiently carried out even by end of the year under review.

- (b) The overpayment of pensions as at 31 December 2016 aggregated Rs.320.26 million as per Specimen DGSA-7 of the Appropriation Account. These overpayments had not been recovered even by end of the year under review and there were Rs.261.99 million pertaining to a period of less than 5 years, Rs.48.98 million pertaining to a period of 5 to 10 years and Rs.9.28 million pertaining to a period of over 10 years.
- (c) The overpayment of pensions had not been dealt with in terms of Financial Regulations 103 and 104 and the related reports had not been furnished to the Auditor General even by 19 September 2017. Meanwhile, files had not been maintained in respect of each pensioner to confirm recovery of overpayment.
- (d) Action had not been taken in terms of the financial regulations with regard to accidents caused to vehicles in 2013, 2014, 2015 and 2016. Meanwhile, the information relating to the said accidents had not been furnished to audit.

3.15 Uneconomic Transactions

The rates and taxes of Rs.342,224 payable by the office of the Registrar General for the year under review had been paid by the Department.

3.16 Unresolved Audit Paragraphs

Some of the overpayments and operating inefficiencies pointed out in the audit paragraphs included in the audit paragraphs had not been rectified yet. References to such paragraphs appear below.

Reference to the Auditor General's Paragraph No.	Year	Item under Reference
3.2(a)	2015	A sum of Rs.26,679 had been granted to the armed forces and Police for payment of salaries and allowances till the age of 55 to those who had died/become disabled while on duty. Adequate information had not been furnished in this regard.
3.14(a)	2015	Sixty per cent of the retirement gratuity paid to the judges of Supreme Courts and the Court of Appeal had not been recovered within 10 years.
3.16(b)	2015	As a result of paying the entire gratuity to the pensioners without recovering the abatements due to the government from the retirement gratuity, a sum of Rs.9,956,314 had been overpaid to 182 pensioners, as observed at audit test checks.

2.7(a)	2013	A sum of Rs.182.22 million had been spent apart from the salaries and wages and training with regard to E-Pensions Project. However, the said project had been totally abandoned since 01 November 2013.
1.6(a)1	2013	Six per cent of the contributions received from the initial salary on behalf of the pensions of the teachers of Pirivenas and assisted schools had not been credited to the Pensions Fund.
3.5.2(c)	2015	The difference of Rs.4million between the computer printouts of the Ministry of Foreign Affairs and the Treasury with regard to the imprest for payment of pensions in 2016 had not been disclosed.
3.9.3(a)	2015	Audit and Management Committee meetings had not been held in terms of circulars No.DMA/2009(1) of 09 June 2009 and DMA/2009(1)(1) 28 January2016.
3.9.1(c)	2015	Action had not been taken to establish performance indices so as to evaluate the performance in order to evaluate performance relating to payment of pensions.
1.5(a)(111)	2013	Fuel order books had not been utilized for the purchase of fuel for vehicles of the Department.

3.17 Management Weaknesses

The following weaknesses were observed at audit test checks.

- (a) Lack of supervision over pensions refunded without being paid

There was lack of supervision over unpaid pensions directly received by cheques the official bank account return of paid pensioners and the unpaid pensions directly received at the official bank account.

(b) Non rendition of Annual Life Certificates

The following observations are made.

- (i) According to the information obtained from the Centralized Data System, 109,842 pensioners had not furnished life certificates for the year 2016. It was 19 per cent of the total number of pensioners. Action had not been taken to obtain the life certificates at the commencement of the year itself for payment of pensions.
- (ii) The annual life certificates obtained had not been filed of record in the relevant pensions files. As such, it was unable to confirm whether the particulars of pensioners and their pension's files had been updated.

(c) Pass books of minors not being returned to them even after attainment of their age

The related state institutions had been entrusted with the responsibility of depositing the money entitled to minors under the entitlement for retirement benefits in a deposit account of the National Savings Bank or fixed deposits. Subsequently, the Department of Pensions had been entrusted with the task of supervising the correctness of the activity and a pension circular had been issued accordingly. An examination carried out in this regard revealed that there were few instances where the beneficiary entitlement due to the minors had not been granted to those minors who had completed the required age, as shown below.

- (i) Forty one savings account books and 5 fixed deposits of minors were at the Kolonnawa and Kotte Divisional Secretariats, although they have attained the age.
- (ii) According to the information obtained from the Department of Railways, the savings account books of 1482 minors with deposits amounting to Rs.1,549,848 had not been handed over to them, although they had become majors by 30 August 2013. The savings account books of 943 minors who had completed the due period during 1995 to 2007 had also not been handed over their savings books. Accordingly, the objective expected from the amount deposited in savings account of minors by the Department of Pensions had not been achieved.
- (iii) As a result of the weaknesses prevalent in the old method of issuing pass books, the pass books had been handed over to the guardians of minors at the initial stage of beneficiary entitlement itself as required by the Pensions Circular No.09/2015 of 14 September 2015. However, the Department of Pensions had not established and implemented a system so as to grant the benefits of pass books and fixed deposits existed under the old system to those who were entitled even by end of the year under review.

(d) Non confirmation of the correctness of information of pensioners included in the Pensions Data System

It was observed at audit test checks that the correct information of pensioners had not been included in the pensions data system and its correctness certified while paying the monthly pensions. As such, there were instances where the pensions of pensioners had been rejected without being credited in the accounts and the pensions had been banked even after the death of pensioners. Few examples appear below.

- (i) Pensions of 04 pensioners amounting to Rs.325,776 had been rejected without being paid as a result of not correctly entering the pensions code in the pensions data system during August and September 2016.
 - (ii) Rejection of pensions aggregating Rs.1.27 million were revealed in 6 instances. As a result of not revealing the cause of it, the said amount continued to remain in the bank accounts for 03 to 10 months.
 - (iii) Payment of pension of a pensioner had been rejected in September 2016 as a result of paying Rs.217,680 to a bank account not belonging to the pensioner.
 - (iv) The payment of pension of a pensioner who died on 10 January 2014 had been rejected by the bank on the first month of his death itself and had been remitted to the Department. However, the pension continued to be sent to the bank for 22 months without considering It.
 - (v) The Department had continuously sent the pensions to the bank for 11 to 22 months although the bank had intimated at the first month itself that the bank accounts of 5 pensioners had been closed down.
- (e) Relevant adjustments for pensions of disabled persons obtained from the Department had not been made even by 14 October 2016 in terms of the Circular No.6/2006 of 25 April 2006.
- (f) Twenty one lapsed cheques aggregating Rs.5,093,465 had been returned to the Department by the Divisional Secretariats and the bank on 21 instances, as unpaid pensions. Quick action had not been taken to extend the date of validity and to bank them. As a result, the cheques returned in 2014, 2015 and 2016 had not been received at the Department.
- (g) Pensions amounting to Rs.323,250 had been paid to 6 pensioners at 5 Divisional Secretariats as per quarterly reports. Action had not been taken to recover them.
- (h) The Head of the Department had been intimated by 06 audit queries about the overpayment of pensions to 168 pensioners amounting to Rs.22.85 million during the years 2015 and 2016. The Department had not taken action to recover the total sum of Rs.11.65 million so overpaid to 102 pensioners even by December 2016.

- (i) According to the audit test checks carried out at the Sri Jayawardenapura Kotte Divisional Secretariat proper and intensified procedure had not been adopted to inform the death of pensioners. As a result, a sum of Rs.842,770 had been overpaid in 25 instances due to delay in intimating deaths. Action had not been taken even by 14 October 2016 to recover these overpayments made during March 2014 to September 2016 although 2 years had elapsed.

3.18 Human Resources Management

(a) Approved Cadre and the Actual Cadre

The position of cadre as at 31 December 2016 appear below.

Category of Employee	Approved Cadre	Actual Cadre	No. of vacancies	Excess Cadre
(i) Senior Level	24	22	04	2
(ii) Tertiary Level	11	05	06	-
(iii) Secondary Level	1076	911	165	-
(iv) Primary Level	75	65	10	-
(v) Others (Casual)	-	-	-	4
(vi) Total	1,186	1,007	185	6

The following observations are made in this connection.

- (i) The entire vacancies of 185 as at end of the year under review could not be filled.
- (ii) The approved cadre of garden labourers was 03. These employees had been recruited on a casual basis for employment since June 2014.
- (iii) The approved cadre of the Deputy/Assistant Directors of the Sri Lanka Administrative Service was 07. But, there were 09 officers resulting in an excess of 02. Proper approval had not been obtained from the relevant parties in this connection.

(b) Human Resources obtained from other parties

The information relating to human resources obtained by the Department from other parties appears below.

Category of Employees	No.	From where	Period
(i) Woman Police Sergeant	01	Department of Sri Police	08.06.2010 to date
(ii) Woman Police Constable	01	-do-	24.02.2012 to date

(iii) Woman Police Constable 03 -do-

From 25 June 2015 One officer had not reported for duty from 21 December 2016.