

**Report of the Auditor General on Head 108 – Ministry of Posts, Postal Services and Muslim Religious Affairs - Year 2016**

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, registers and other records of the Head 108, Ministry of Posts, Postal Services and Muslim Religious Affairs 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 Secretary of the Ministry of Posts, Postal Services and Muslim Religious Affairs on 11 August 2017. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and the 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 Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, and the Public Finance and Administrative Regulations. This responsibility includes the 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 Provisions and Expenditure**

The total net provision made for the Ministry amounted to Rs. 543.73 Million and out of that, a sum of Rs. 380.16 Million had been utilized by the end of the year under review. Accordingly, the savings of the total net provision had been Rs. 163.57 Million or 30.08 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	128.43	122.64	5.79	4.5
Capital	415.30	257.52	157.78	37.99
<b>Total</b>	<b>543.73</b>	<b>380.16</b>	<b>163.57</b>	<b>30.08</b>

## 2.2 Advances to Public Officers' Account

### Limits authorized by Parliament

Limits authorized by Parliament for Advances to Public Officer's Account Item No: 10801 relevant to the Ministry and the actual values 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
6.00	5.20	2.00	2.68	26.00	11.39

## 2.3 Imprest Account

The balance of Imprest Account No.7002/0000/00/0349/0016/000 under the Ministry as at 31 December 2016 was Rs 18.35 Million.

## 2.4 General Deposit Account

The balances of the 02 General Deposit Accounts under the Ministry as at 31 December 2016 totalled Rs. 12.54 Million. Details appear below:

Deposit Account Number	Balance as at 31 December 2016
	Rs.Million
6000/0000/00/0016/0079/000	12.31
6000/0000/00/0018/0016/000	0.23
<b>Total</b>	<b>12.54</b>

## 2.5 Audit Observation

The Appropriation Account and Reconciliation Statements of the Ministry of Posts, Postal Services and Muslim Religious Affairs for the year ended 31 December, 2016, had been prepared satisfactorily, subject to 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 that Management Audit Report appear in paragraph 3.

### **3. Material and Significant Audit Observations**

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#### **3.1 Maintenance of Registers and Books**

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The Register of Fixed Assets had not been maintained in an updated manner, in accordance with Treasury Circular No 842 of 19 December 1978.

#### **3.2 Appropriation Account**

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##### **3.2.1 Budgetary Variance**

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(a) The entire provision of Rs 43 Million appropriated for objects had been saved. As the procurement activities had taken place at the end of the year, the inability to import the vehicle due to be purchased before the end of the year, was the cause of this saving.

(b) Due to over provisioning and failure to effectively carry out activities which had to be completed during the year, after utilization of the provisions of 10 votes, there was a balance of Rs.95,260,766. This had ranged between 07 to 95 per cent of the net provisions.

##### **3.2.2 Compulsory/Mandatory Savings**

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(a) Even though there had to be a 15 per cent compulsory saving of the provisions for fuel, that is, Rs.1,479,000, in accordance with paragraph (2) of circular no 07/2015 of 29 December 2015 about Authorization of Expenditure of Budget 2016 and Public Expenditure Management, it had not been done and there were savings from other votes.

(b) Even though there had to be a 10 per cent compulsory saving of the provisions for transport expenditure, that is, Rs.400,000, in accordance with the above circular, according to letter no BD/RDS/108/1/2/1 of 25 July 2016 of the Director General of the Department of National Budget, authority had been given to freeze from another vote, the amount for which authority had been given to freeze from the transport expenditure vote.

#### **3.3 Imprest Account**

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Following observations are made.

(a) Even though a balance of Rs.17,885,954.74 available at 31 December 2016 had been remitted to the Treasury, this balance had not been shown in the Imprest Account under credits.

(b) Advances totaling Rs.460,000 given during the year under review had not been settled by 31 December 2016, and out of this, Rs.450,000 had not been settled even by 09 May 2017

**3.4.1 Unsettled Liabilities**  
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**3.4.1 Commitments to Liabilities exceeding savings/ balance**  
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Even though no commitments should be made exceeding provisions in accordance with Financial Regulation 94 (1), there were instances where commitments for liabilities amounting to Rs.1,458,077 had been made in respect of 11 votes.

**3.5 Assets Management**  
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The following deficiencies were observed in the course of test audit checks in respect of the assets of the Ministry.

**Irregular use of Assets belonging to other Institutions**  
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A vehicle belonging to the Ministry of Finance being used by this Ministry had met with an accident and was parked in the Mount Lavinia Court grounds as a production. The Secretary of the Ministry had informed me on 26 July 2016 that due to this reason, it had not been possible to vest this vehicle or to take any forward action.

**3.6 Non-compliances**  
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Instances of non-compliance with laws, rules and regulations observed during the course of audit test checks are analyzed below.

**Reference to laws, rules, regulations etc**  
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**Non compliance**  
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(a) Financial regulation 104 (3)

Even though a Preliminary Report has to be prepared if it is expected that there would be a delay of over seven days to submit a comprehensive report in respect of losses and damages, in two instances this had not been done.

(b) Financial regulation 104 (4)

Even though a Full Report has to be submitted within 03 months of the occurrence of a loss or damage, there were 13 instances where no such action had been taken.

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

## **Deviation from the Government Procurement Procedure**

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### **(a) Construction of the Muslim Cultural Center**

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On 02 January 1995 Cabinet approval had been given to house the Wakf Board, Wakf Courts and Research Center coming under the Department of Muslim Religious and Cultural Affairs, Head Office of the Department of Muslim Religious and Cultural Affairs and the library in one building. The following observations are made in this respect.

- (i) Cabinet approval had been received on 24 May 2006 to get this building constructed for Rs.286.9 Million by the Central Engineering and Consultancy Bureau under the guidance of the Engineering Corporation. Even though a period of over 10 years has lapsed since, the building had not been fully constructed.

Non finalization of the preparation of detailed designs and bill of quantities, variations of the design, climatic changes and limitations in the release of funds etc. had affected this.

- (ii) It had been proposed to construct the building with a ground floor and 09 storeys. Even though the total cost estimate had been amended up to Rs 596 Million in the year 2008, the recommendation of the Standing Technical Evaluation Committee and the approval of the Cabinet of Ministers had not been given, and in accordance with the Cabinet decision of 09 July 2008, it had been decided that the cost estimates should be amended according to the recommendation of the Technical Evaluation Committee.
- (iii) In such a situation, on 21 October 2015, an amended estimate for Rs.938 Million had been submitted to the Cabinet of Ministers. In this respect, the decision of the Cabinet of Ministers dated 18 November 2015 was that this project should be completed by December 2016 within the estimated value of Rs.596 Million that had been decided in the year 2008. However, in the year 2008, the Cabinet of Ministers had not taken a decision to implement this project for Rs 596 Million.
- (iv) Again, on 16 March 2016, after making representations that the entire building could not be constructed for the estimate of Rs 596 Million, approval of the Cabinet of Ministers had been obtained to complete the exterior finishing after completing four storeys including the ground floor for that amount. Construction had been done under 3 stages, as stages 1, 11 and 111, and even though concrete work had been completed up to the 10<sup>th</sup> storey , the work of 06 storeys had not been completed.
- (v) If action had been taken to construct the building as planned during the year 2006, it would have been possible to complete it for a sum of Rs 286.9 Million. By the year 2016, the total cost had been calculated as Rs 938 Million, which was a 228 per cent increase.

- (vi) The completion of the balance 06 storeys of this building, established in an area with a very high economic value in the city of Colombo, and utilizing it in a manner economically useful and effective/productive, had not been done.
- (vii) According to the list submitted to audit, prepared by the Ministry by 14 June 2017, a total of Rs.312,149,430 had been paid by way of Rs.45,323,071 for piling under stage 1, Rs.183,832,430 for the concrete structure under stage 11 and Rs.82,994,471 under stage 111.
- (viii) **Stage 111**
- \* A contractual agreement had not been entered into in respect of stage 111, and it was not observed that a performance bond had been submitted.
  - \* Even by 21 July 2016, the Consulting Agency had not submitted the bill of quantities, and it had been submitted late by 22 July 2016.
  - \* The approval of the Standing Pricing Committee of the Ministry of Housing and Construction had not been obtained for this bill of quantity even by 19 July 2017.
  - \* Work under stage 111 – In obtaining provisions for the balance work of the building, the Ministry of Posts, Postal Services and Muslim Religious Affairs had pointed out that the value of the total payments made at that time was Rs.300.5 Million and that the requirement of additional provisions was Rs.295.5 Million, and had obtained a provision of Rs. 295.5 Million for the year 2016. However, according to sources of the Department of Muslim Religious and Cultural Affairs, as the value of the payments made by that time had been Rs. 312 Million, an over-provision of Rs 11 Million had been obtained, and out of this Rs.203,103,599 had been paid during the year under review.
  - \* In erecting/constructing the building, 02 items and 03 rooms which had not been designed/ planned had been erected/constructed in the four storeys completed.

**(b) Repair of the Minister's quarters located at C 12, Keppetipola Mawatha**

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The following observations are made in this connection.

- (i) This procurement had not been included in the Action Plan or the Procurement Plan for the year 2016. For this purpose, provisions amounting to Rs.9,277,808 had been obtained through two supplementary estimates.

- (ii) Repairs to the quarters had been assigned to the Department of Buildings on 30 March 2016 for Rs.8,851,029. The Procurement Committee had not taken a decision for the assignment.
- (iii) Changes in the items to be repaired, changes made from time to time according to the instructions in the estimate, attending to items extraneous to the estimate and the non-execution of items estimated etc had taken place.
- (iv) On 28 May 2016, an estimate for Rs.3,459,414 had been submitted for extra work. In addition to it, out of the estimate submitted on 24 November 2016, work to the value of Rs.1,164,135 had been cut down. Again, on 22 February 2017, an estimate for another Rs.1,690,179 had been submitted for additional work.

Further, Rs.138,150 had been spent for installing 255 meters Gypsum boards. It had been decided to remove the Gypsum boards so installed, and to re-install the previously used Arches. Further, it had also been reported that the tiles available in the quarters before the innovation were not old.

- (v) Even though payments for the work done had to be made on recommendations made by an independent and qualified party, this function too had been done by the Department of Buildings.
- (vi) On 06 April 2016, a Ministry Committee had been appointed to monitor/supervise and follow up the expeditious execution of the repair work of the quarters. While that Committee had qualified personnel, recommendation of payment for the work done had been refused.

**(c) Purchase of a new motor car for the Deputy Minister**

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The following observations are made in this connection.

- (i) By letters dated 03 August 2016 and 05 August 2016 the specifications, type and the model of the vehicle required for the Deputy Minister had been notified, and on 09 September 2016 limited quotations had been called for from 06 institutions to purchase this vehicle. Only 03 institutions had submitted bids.
- (ii) According to the report of the Technical Evaluation Committee dated 07 October 2016, it had been decided to reject 02 institutions during the preliminary evaluation and to reject the other institution during the second stage and for the procurement to be done again.

However, On 10 October 2016, the Chief Accountant had requested the Chairman of the Evaluation Committee to make recommendations after examining the specifications of the two rejected institutions, stating that it would be fruitless to call for quotations again.

Even though it had been stated that the Procurement Board had decided to obtain recommendations after re-evaluating these quotations in accordance with powers vested in the Procurement Committee by guide line 2.5 of the Procurement Manual, there was no such decision.

- (iii) On 14 October 2016, the Technical Evaluation Committee had met again for this purpose and submitted observations about the specifications of these two institutions. According to that decision, the Procurement Committee had taken action to purchase from one of the rejected companies a vehicle befitting the requirements of the Deputy Minister for Rs.42,655,000.

### 3.8 Human Resources Management

#### Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows:

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	14	14	-
(ii) Tertiary Level	04	02	02
(iii) Secondary Level	61	41	20
(iv) Primary Level	31	28	03
Other (Casual/ Temporary/ Contract Basis)	04	03	01
<b>Total</b>	<b>114</b>	<b>88</b>	<b>26</b>

Recruitment or revision had not been done in respect the 26 vacancies prevailing at the end of the year under review.