

## **Report of the Auditor General on Head 104 –Ministry of National Policies and Economic Affairs - Year 2016**

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The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 104 - Ministry of National Policies and Economic 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 on 12 June 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 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 the Reconciliation Statements**

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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements, whether due to fraud or error.

## **2. Accounts**

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### **2.1 Appropriation Account**

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#### **Total Provision and Expenditure**

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The total net provision made for the Ministry amounted to Rs.33,219.05 million and out of that Rs.22,794.22 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision made for the Ministry amounted to Rs.10,424.83 million or 31.38 per cent. Details are given 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	2,025.44	1,938.03	87.41	4.32
Capital	31,193.61	20,856.19	10,337.42	33.14
Total	33,219.05	22,794.22	10,424.83	31.38

## 2.2 Advance Account

### 2.2.1 Advances to Public Officers Account

#### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account under Item No.10401 of the Ministry 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
28.00	27.74	6.00	12.98	70.00	52.12

## 2.3 General Deposit Accounts

The balance of the following 03 Deposit Accounts under the Ministry as at 31 December 2016 totalled Rs.15.66 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs.Millions
6000/0000/00/0002/0144/000	0.09
6000/0000/00/0013/0099/000	13.64
6000/0000/00/0016/0090/000	1.93
Total	15.66

## **2.4 Audit Observation**

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The Appropriation Account and the Reconciliation Statements of the Ministry of National Policies and Economic Affairs 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**

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### **3.1 Reconciliation Statement of the Advances to Public Officers Account**

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According to the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No. 10401, the balances that remained outstanding as at that date totalled Rs. 4,848,522. Even though those outstanding balances remained over periods ranging from 01 year to 16 years, the Ministry had failed to recover the outstanding balances even by the end of the year under review.

### **3.2 Assets Management**

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According to the particulars furnished by the Ministry, there were 86 motor vehicles in the custody of the Ministry as at 31 December 2016 and the ownership of 84 vehicles out of that had not been registered under the name of the Ministry as per the respective vehicle Registration Certificates. Further according to the Vehicle Registration Certificates it was observed that ownership of 105 motor vehicles out of 107 motor vehicles assigned to the World Food Programme under the Ministry and 10 motor vehicles in the National Leadership and Development Centre had not been registered under the names of same units or under the name of the Ministry.

### **3.3 Annual Action Plan**

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Sums of Rs.12,853,800 and Rs.26,862,775 had been incurred to publish advertisements in print media and electronic media under the First Anniversary celebrations and the theme of the "Release from Debt Burden" which not included in the annual budget estimates and annual action plan 2016, respectively. Further, it was observed that those activities were not related to the main activities of the Ministry.

### **3.4 Transactions of Contentious Nature**

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Provisions of Rs.10 million had been made to the Ministry of National Policies and Economic Affairs through Supplementary Estimate allocations for purchasing of 100 Computer Tabs to the Employees Trust Fund in the year 2016 and the total amount had been paid to the Employees

Trust Fund on 28 November 2016. But the Employees Trust Fund had not purchased those Computers even by the end of the year under review.

### 3.5 Acquisition of Financial Assets

Additional provisions of Rs.500 million had been made to the Ministry through Supplementary Estimate allocations on 03 November 2016 on return basis to the Treasury after the liquidation of the assets of the Golden Key Credit Card Company. Sums of Rs.300 million and Rs.200 million had been paid to the Central Bank of Sri Lanka on 30 November 2016 and 16 December 2016 respectively. The Cabinet of Ministers had approved to make that payments in terms of the conditions, such as prompt action to be taken according to the legal terms for liquidation of assets of the Golden Key Credit Card Company and appurtenant companies thereto and the income received from the liquidation of the assets of that Company to be paid back by the Central Bank of Sri Lanka to the General Treasury. A sum of Rs.4,989.9 million had been sent by the Ministry to the Central Bank of Sri Lanka to pay back the deposits of the deposit holders of the Golden Key Credit Card Company during the period from the year 2015 to 31 December 2016. Even though it should be taken prompt action in terms of the rule to liquidate the assets as mentioned in the Cabinet Memorandum, the action had not been taken accordingly even by 12 June 2017.

### 3.6 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i)	Senior Level	79	62	17
(ii)	Tertiary Level	154	92	62
(iii)	Secondary Level	241	237	4
(iv)	Primary Level	133	113	20
(v)	Others	4	1	3
	<b>Total</b>	<b>611</b>	<b>505</b>	<b>106</b>

The following observation is made.

An appointment for a Temporary Driver had been given to a person by the Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs established in the year 2015. That employee had worked as a driver in the Ministry of Foreign Affairs since September 2015. Nevertheless, a sum of Rs.337,625 had been paid by the Ministry as salaries and allowances for the driver up to August 2016 since the above date.