

Head 159- Report of the Auditor General on the Ministry of Tourism Development and Christian Religious Affairs – Year 2017

The Appropriation Account, and Reconciliation Statement relating to Head and Item stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Ministry of Tourism Development and Christian Religious Affairs. The financial and physical performance reflected by those accounts and reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department appointed by the Treasury will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a). This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the Ministry of Tourism Development and Christian Religious Affairs – Head 159 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review will be issued to the Secretary to the Ministry in due course. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Ministry of Tourism Development and Christian Religious Affairs for the year ended 31 December 2017 revealed in audit, appear in the Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.9 of this report. It was observed that the accountability as the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

General responsibilities of the Accounting Officers in terms of Financial Regulation 127	Non-compliance of the Accounting Officer to the Provision	Reference to the Paragraph of the report Containing Observations
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Financial Regulations

127 (2)	Existing items of expenditure, as well as proposals for new or increased expenditure in the Department under his control, are closely examined in the Ministry from the point of view of economy and efficiency.	<ol style="list-style-type: none"> 1. Failure to achieve the expected level of output. 2. Failure to achieve the performance of local projects. 3. Management Weaknesses. 4. Environmental impact following the implementation of projects. 	<p>2.1.1</p> <p>2.2.1</p> <p>2.3</p> <p>2.2.2</p>
127 (3)	All cases of doubt or difficulty are referred to him so that he May bring his own administrative experience and judgement to bear on them	<ol style="list-style-type: none"> 1. Idle and underutilized assets. 2. Irregular utilization of assets that had not been taken over. 	<p>2.4 (b)</p> <p>2.4(c)</p>

127 (4)	<p>Appropriation Accounts are duly rendered by each of his Accounting Officers, and examined at the Ministry before he signs them; and that important differences in the Estimates and the actual expenditure are critically investigated by him.</p>	<p>Incurring commitments in excess of the annual budget.</p>	2.5
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2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Failure to Discharge Functions

A sum of Rs. 258.61 million had been utilized out of the provision amounting to Rs. 728 million made for 63 miscellaneous projects to discharge 06 functions stated in the Annual Action Plan. Nevertheless, only a sum of Rs. 168.33 million had been utilized from the provision totalling Rs. 603 million made for 03 functions.

2.2 Projects Implemented under Domestic Funds

Provision totalling Rs. 678 million had been made by the Department for 05 projects implemented in the year under review under domestic funding, and a sum of Rs. 229.1 million had been utilized therefrom, thus saving a sum of Rs. 448.87 million equivalent to 66.2 per cent of the provision made.

2.2.1 Performance of the Domestically Funded Projects.

The following observations are made.

- a) Although a sum of Rs. 25 million had been granted through the budget estimate for the year 2017 for community tourism development (development of tourism villages), only a sum of Rs. 0.55 million had been spent in that year. The project had been launched in the

year 2015 though, a policy / guidelines had not been formulated and approved until the end of the year 2017 relating to the implementation of that project.

- b) The land where a lavatory had been constructed for the Eshwara Hindu Temple in Rajakanduluwa, Manaweriya in Puttalam district, had belonged to a private land owner, but the ownership of the land had not been settled prior to the construction. Nevertheless, provision totalling Rs. 4,629,260 had been made for the construction of the lavatory, and a sum of Rs. 3,777,465 had been spent therefrom by 03 May 2018.
- c) Having entered into an agreement with a private company to the value of Rs. 9,790,000 on 13 November 2017 for installing the electric lighting system at the Yapahuwa Rajamaha Viaharaya in the district of Kurunegala, a sum of Rs. 7,855,600 had been paid to the contractor. However, a damage of Rs. 1,340,000 had been caused to the lighting system as the contractor had not installed a lightning arrestor, and the project had come to a halt by the date of physical inspection in April 2018. Furthermore, the contractor had been paid a sum of Rs. 1,769,000 under that project to install the system of Solar PV Module. As the said system had not generated electricity, it was observed that the expected objective could not be achieved from the said activity as well.

2.2.2 Environmental Impact Caused by the Project

When the project for promoting tourism had been launched under the theme of “Leisure & Pleasure Pristine Eco Culture” in the area of Sallathive Islands located adjacent to the coastal belt in Batticaloa district of the Eastern Province, approval of the Department of Coast Conservation and Coastal Resource Management, the institution responsible for the constructions made in the coastal areas of Sri Lanka, had not been obtained as well as the approval for clearance of lands relating to the project had not been obtained from the District Commission on the use of lands. When constructions had been made in a highly environmentally-sensitive area like Sallathive, no preliminary inspection, or a feasibility study had been conducted with respect to the environment thereby failing to obtain reports. Furthermore, approval of the Central Environmental Authority had not been obtained as well on the management sub-project implemented in parallel thereto.

2.3 Management Weaknesses

The following observations are made.

- a) An agreement had been entered into between the Sabaragamuwa Provincial Ministry of Tourism and the Sabaragamuwa University of Sri Lanka on 19 July 2017 to prepare a plan for facilitating tourism in the vicinity of Bopath Ella in Ratnapura district. However, the Provincial Ministry of Tourism had not taken follow-up action in that connection. The project report too had not been furnished by the University on the date specified, but consultancy fees amounting to Rs. 359,000 had been paid to the University by the end of the year under review. As such, 80 per cent of the amount allocated, had been saved.

- b) Provision amounting to Rs. 6,823,764 had been made by the Ministry in the year 2017 in view of facilitating tourism in the vicinity of Bathalegala Rock, but only a sum of Rs. 2,627,458 had been spent therefrom representing 39 per cent. Due to the reasons such as, failure to execute the works of modifying the vehicle park and stair case of the tourism centre in Batalegala for which provision amounting to Rs. 2,800,000 had been made, and the Divisional Secretariat of Aranayaka had already laid concrete on a certain stretch of the road (about 50 meters) at the time of commencing the works for improving the road, the works to be executed had been lessened; and hence, the provision had been saved.
- c) Having allocated a sum of Rs. 2,395,789 on the programme for repairing the bathrooms for males and females in Keerimalei, it had been agreed to complete the repairs by 15 November 2017, but those works had not been completed even by 06 March 2018. Nevertheless, a report had been issued by the Technical Officer & Secretary of the Pradeshiya Sabha, and the engineer of the Department of Local Government stating that the relevant works had been completed by 27 December 2017. As such, the penalty for delay amounting to Rs. 98,512 could not be recovered as well.

2.4 Assets Management

The following deficiencies were observed in the audit test check carried out on the assets of the Ministry.

a) Utilization of Vehicles

The Ministry owned 31 vehicles by the end of the year under review. Those vehicles had been run for 448,104 Km, and a total of Rs. 22,465,553 had been spent on those vehicles comprising sums of Rs. 6,987,468, Rs. 2,404,658, Rs. 8,937,728, and Rs. 4,135,699 for fuel & lubricants, servicing, repairs, and insurance respectively. Accordingly, the Ministry had spent a sum of Rs. 50.13 per Kilometer excluding salaries and allowances of drivers.

b) Idle and Under-utilized Assets

The following observations are made.

- (i.) The mobile service unit purchased by the Ruhunu Tourist Bureau in October 2017 paying a sum of Rs. 1,103,182 for providing common mobile sanitary facilities at the coastal area in Akurala of the Southern Province, had been placed at the Police Ground in Ambalangoda. As the place of placing the unit had remained unsettled, the said unit had remained idle even up to the date of audit in the month of February, 2018.
- (ii.) A sum of Rs. 2,598,307 had been spent, and works of constructing a vehicle park and tents for tourists at the coastal area of Akkarai in the Pradeshiya Sabha of Walikamam East, had been completed under the Akkarai Coast of Jaffna District Beautification and Modification Project -2017. However, none of those assets had been made use of.

c) Irregular Utilization of Assets Belonging to Other Institutions

The Ministry had used 06 vehicles owned by other institutions without being taken over properly.

2.5 Commitments and Liabilities

Incurring Commitments by Exceeding Annual Budget

Commitments valued at Rs. 0.86 million had been incurred having exceeded the provision of Rs. 15.9 million made for 07 Objects by a sum of Rs. 0.82 million contrary to Section 02 (a) of the Public Accounts Circular, No. 255/2017, dated 27 April 2017.

2.6 Unresolved Audit Paragraphs

References to the paragraphs that the Ministry had not rectified in respect of the deficiencies pointed out in the audit paragraphs included in the reports of the Auditor General relating to the Ministry, are shown below.

Reference to the Report of the Auditor General		Subject Referenced
Year	Paragraph No.	-----
2016	3.3 (a) (i)	As the party to which the charges on Internet payable monthly to a private institution, should be paid, had not been determined at the beginning of the project, the CCTV camera system installed at 04 locations in the Ella town on 30 December 2016 incurring a sum of Rs. 1.08 million, had remained idle even by August 2018.
2016	3.3 (b) (ii)	Of the warranty period of 02 years provided for the camera system, one year and 08 months had elapsed. The possibility of rectifying the likely faults that would have been occurred in the camera system, had been lost.

2.7 Utilization of Provision Made by the Parliament for Discharging Functions

Information relating to the utilization of provision made for the Ministry during the 03 year period ended as at 31 December 2017, and the saving along with audit observations thereon, are as follows.

Year	Category of Expenditure	Net Provision	Utilization	Saving	Saving as a Percentage of the Net Provision
		Rs. Million	Rs. Million	Rs. Million	
2015	Recurrent	56.0	43.3	12.6	22.5
	Capital	113.0	21.1	91.8	81.2
	Total	169.0	64.4	104.4	61.7
2016	Recurrent	118.2	115.0	3.2	2.7
	Capital	624.3	273.3	351.0	56.2
	Total	742.5	388.3	354.2	47.7
2017	Recurrent	190.0	151.1	38.9	20.4
	Capital	923.8	273.6	650.1	70.3
	Total	1113.8	424.7	689.0	61.8

The following observations are made in this connection.

a) Execution of the Planned Activities by an Other Institution

Although provision amounting to Rs. 568 million had been made for the activities planned to be executed by the Ministry, all those activities had been executed through the Provincial Councils and District Secretariats. As provision had been made for those activities with no proper coordination between the said institutions, a sum of Rs. 405 million had been saved from that provision.

b) Appropriation Account

The following observations are made.

(i.) Failure to utilize the provision made

No any utilization had been made from the total net provision of Rs. 1.1 million allocated for 03 Objects, thus saving the entire provision.

(ii.) Overprovisioning

As overprovision totalling Rs. 682.5 million had been made for 18 Objects, only a sum totalling Rs. 278.5 million had been utilized therefrom. Hence, the saving ranged between 14 per cent and 92 per cent of the net provision made.

2.8 Human Resource Management

2.8.1 Approved Cadre, Actual Cadre, and Expenditure on Personnel Emoluments

Information relating to the approved, actual, vacant and excess cadre as at 31 December 2017 with respect to discharging the functions of the Ministry, is given below. The Ministry had spent a sum of Rs. 31.49 million on personnel emoluments for the year under review. Accordingly, the expenditure per person amounted to Rs. 583,153.

Category of Employee	Approved Cadre	Actual Cadre	No. of Vacancies
(i.) Senior Level	14	12	02
(ii.) Tertiary Level	04	02	02
(iii.) Secondary Level	32	24	08
(iv.) Primary Level	20	15	05
(v.) Other	01	01	-
Total	<u>71</u>	<u>54</u>	<u>17</u>

2.9 Internal Audit

In terms of Financial Regulation 133, the Chief Accounting Officer should establish an Internal Audit Unit at the Ministry in order to exercise his duties and responsibilities stated in Financial Regulation 128. The following observations are made in that connection.

- a) According to the Internal Audit Plan prepared for the year 2017, sixteen areas had been mentioned to be audited. However, only 03 internal audit queries had been issued during the year 2017.
- b) Having stated that a sum of Rs. 618,000,000 equivalent to 81 per cent of the sum of Rs. 760,683,000 allocated for the Ministry through the Internal Audit Plan, had been allocated for the development of tourism, a number of 40 man hours had been allocated per each quarter in that connection. However, it was revealed that no physical examinations and examination on files had been carried out with respect to the activities planned to be carried out by the Internal Audit Unit relating to the development of tourism in the year 2017.