

Head 5 - Report of the Auditor General on the Office of the Cabinet of Ministers -Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number 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 Office of the Cabinet of Ministers. The financial and physical performance reflected by those accounts and the 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 will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. 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 Office of the Cabinet of Ministers – Head 5 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 was issued to the Secretary of the Office on 05 September 2018. 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 Observations

The audit observations of the Office of the Cabinet of Ministers for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations appear in paragraph 2.1 to 2.9 of this report. It was observed that the accountability as the Chief 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.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance with that Provision by the Chief Accounting Officer	Reference to the Paragraph of the report which included the Observation
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Financial Regulations

127(1)(a)	That all financial work is planned with correctness and financial propriety (the business must be transacted in accordance not merely with the financial and departmental orders but also with the high standards of integrity expected in the transaction of public business),	1. Deficiencies in the procurement process. 2.1 2. Failure to prepare the Budget Estimates in a realistic manner. 2.4 2.5 3. Non-maintenance of Registers and Books 2.7 4. Deficiencies in the Internal Audit
127(1)(b)	That a system which provides adequate control over expenditure and the collection of revenues,	1. Non-compliances 2.6 2. Deficiencies in Human Resources Management 2.8
127(2)	That existing items of expenditure, as well as proposals for new or increased expenditure in the departments under his control, are closely examined in the Ministry from the points of view of economy and efficiency,	Deficiencies in carrying out procurement process 2.2
127(3)	That all cases of doubt or	Deficiencies in the 2.3(a)

difficulty are referred to him so that he may bring his own administrative experience and Judgement to bear on them, Utilization of Motor Vehicles

127(5) That important variations between Estimates and expenditure receive critical examination at the Ministry, 1. Non-utilization of provision made. 2.4(c) 2. Making overprovision 2.4(d)

127(7) That the procedure laid down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to Government by the delays, negligence, fault or fraud on the part of officers/employees and surcharges are imposed on the officers/employees responsible for such losses, in terms of F.R.156(1). It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the departments for which he is responsible. Failure to obtain security from officers responsible for the custody of public money. 2.9

2. Material and Significant Audit Observations

2.1 Planning of Procurements

Provision of Rs.9,500,000 had been made for the Office in the year under review to obtain supplies and services through the procurement procedure and out of that, a sum of Rs.5,510,402 had been utilized. The observations on procurement plans to be prepared in respect of the provision made, are given below.

(a) Planning of Procurements and Preliminary Stage

(i) Master Procurement Plan

The office had not prepared the Master Procurement Plan containing the procurements expected for a period of 03 years and the procurement time schedule describing each procurement from the commencement to the completion in a timely manner.

(ii) Proposed Annual Procurement Plan

- The total net provision made for stationery and office requirements by the Office as at the end of the year under review amounted to Rs.4,200,000 and out of that, provisions totalling Rs.4,006,059 had been utilized during the year. Nevertheless, action had not been taken to include the relevant procurement activities in the Annual Procurement Plan.
- Even though the Office had incurred an expenditure of Rs. 1,325,653 for refreshments to the staff during the year under review, provision had not been made for accounting the said expenditure under the Object (1203) of food and uniforms and the expected expenditure had not been included in the Procurement Plan.

2.2 Implementation of Procurement Process

The following observations are made.

- (a) In terms of the Guideline of the Government Procurement Guidelines and the Procurement Manual, preparation of bidding documents, accepting bids, opening and evaluation of bids had not been done regarding the procurement of goods and non-consultancy services totalling Rs.365,718 made under the shopping method by the Office during the year under review.
- (b) The total expenditure incurred by the Office for the purchase of photocopy papers during the year under review amounted to Rs.1,512,690 and thereunder, payments over Rs.500,000 and purchases of 06 computers, 06 UPS and 04 printers at a cost of Rs.1,039,200 had been made in two instances. Nevertheless, a proper contract agreement had not been entered into for the contracts of goods or services over Rs.500,000 in terms of Guidelines 8.9.1(b) and 8.9.3 of the Government Procurement Guidelines.
- (c) In terms of Guideline 5.3.13 of the Government Procurement Guidelines, bid security should be obtained as a percentage of the estimated contract value and the validity period of the bid security should exceed the validity period of bid in terms of provisions in the Guideline 5.3.11 of the Procurement Manual. Nevertheless, in the purchase of 06 computers, 06 UPS and 04 printers at a cost of Rs.1,039,200 during the year under review, the value of bid security had been obtained with a value of 2 per cent of the bid value and without stating a validity period of bid security.
- (d) According to the Procurement Plan, it had been planned to purchase a multipurpose photocopy machine at a cost of Rs.2 million during the year under review. Nevertheless, the Office had failed to take action as planned, thus the multipurpose photocopy machine had not been purchased during the year.

2.3 Assets Management

The following deficiencies were revealed in the audit test check carried out on assets owned by the Office.

(a) Repairs to Motor Vehicles

A motor vehicle of the Office valued at Rs.4,850,000 had met with an accident on 29 June 2016 and the value of loss amounted to Rs.746,367. This motor vehicle had been handed over for repairs on 19 June 2017 and it had been returned to the Office after being repaired on 08 January 2018. As such, the said motor vehicle had not been run during the year under review and it had remained idle in the year.

(b) Conduct Of Annual Boards Of Survey

Action in terms of Section 3.1.4 of the Circular and Financial Regulations 757(2) and 757(3) had not been taken with regard to 171, 98 and 55 items of excess goods pointed out by Boards of Survey Reports pertaining to the years 2015, 2016 and 2017 respectively.

2.4 Utilization of Provisions authorized by Parliament to Perform Functions

Information on the utilization and savings of provision made for the Office during the 05 years ended as at 31 December 2017 and the audit observations thereon are given below.

Year	Category of Expenditure	Net Provision	Actual Expenditure	Savings	Savings as a percentage of net provision
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		Rs.million	Rs.million	Rs.million	
2013	Recurrent	65.08	51.90	13.18	20.2
	Capital	12.10	2.12	9.98	82.4
	Total	77.18	54.02	23.16	30
2014	Recurrent	64.20	56.80	7.40	11.5
	Capital	8.88	1.24	7.64	86
	Total	73.08	58.04	15.04	20.6
2015	Recurrent	67.55	62.90	4.65	6.9
	Capital	9.85	2.66	7.19	73
	Total	77.40	65.56	11.84	15.3
2016	Recurrent	68.35	68.26	0.09	0.1
	Capital	14.85	2.23	12.62	84.9
	Total	83.20	70.49	12.71	15.3

2017	Recurrent	78.09	72.91	5.18	6.6
	Capital	12.20	2.11	10.09	82.7
	Total	90.29	75.02	15.27	16.9

The following observations are made in this connection.

(a) Performance of planned functions by another institution

Capital provisions amounting to Rs.6 million, Rs.4 million and Rs.3 million had been made in the years 2015, 2016 and the year under review respectively for the Document Archiving and Management System Project planned to be implemented by the Office. Nevertheless, the Office had failed to perform that function during the years 2015 and 2016 and subsequently it had been proposed to perform the said function as a project of ICTA. However, the entire provision totalling Rs.13 million had been saved since the year 2015 due to provisions made without planning a proper coordination between institutions.

(b) Failure to perform the functions planned

According to the approval of Cabinet of Ministers dated 29 June 2016, plans had been made to shift the Office of Cabinet of Ministers in the year 2017 to the building at Jawaththa where the Department of Persons Registration was functioned earlier. Nevertheless, action had not been taken accordingly and as such the entire capital provision totalling Rs.8 million made for the renovation of buildings in the year 2016 had been saved. Further, Rs.2.9 million or 96 per cent of the provision made for the renovation of buildings and 69 per cent of the provision made for the acquisition of furniture and offices had been saved during the year under review.

(c) Non-utilization of Provisions made

The entire net provision amounting to Rs.6.25 million made for 02 Recurrent Objects and one Capital Object had been saved without being utilized.

(d) Making Overprovision

Excess provision totalling Rs.7.4 million had been made for 04 Recurrent Objects and 03 Capital Objects and as such the savings, after the utilization of provisions amounting to Rs.5.1 million, ranged between 11 per cent to 96 per cent of the net provisions relating to the respective Objects.

2.5 Non-maintenance of Registers and Books

It was observed during audit test checks that the Office had not maintained following 02 registers and the other register had not been updated.

Type of Register	Relevant Regulation	Observations
(a) Register of List of Motor Vehicles	Financial Regulation 1647(e)	Not maintained.
(b) Bidding Document	Guideline 5.2.1 of Government Procurement Guidelines and Format 5.2.1 of Procurement Manual	Not maintained.
(c) Register of Counterfoil Books	Financial Regulation 341	Not updated.

2.6 Non-compliances

Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
	Rs.	
Public Administration Circulars		
(i) National Library and Documentation Services Board Circular No.2004/ဥဒ/1(2016-Amendment) of 22 December 2016 combined by Circular No.02/2017 of 04 May 2017 of Combined Services of the Ministry of Public Administration and Management Paragraph 1	62,615	Library books are considered as current assets, thus it should be brought to account as a recurrent expenditure. Nevertheless, the expenditure of Rs.62,615 incurred by the Office for the purchase of library books in the year under review had been met from capital provisions made in respect of the staff training (2401).
(ii) Paragraph 3	292,342	Library materials in written, printed, audio

visual and electronic mediums acquired by libraries for the use of readers are accepted as current assets and annual stock verifications on those current assets should be conducted compulsorily. Nevertheless, annual stock verifications had not been conducted in respect of library books purchased at a cost of Rs.292,342 during the period from the year 2013 up to 2017.

2.7 Internal Audit

The post of Internal Auditor had been approved for the Office of the Cabinet of Ministers by the letter No.DMS/1023 of 23 June 2016 issued by the Department of Management Services. Nevertheless, the vacancy for the post of Internal Auditor had not been filled even by 05 September 2018.

2.8 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars relating to the approved cadre, actual cadre and vacancies as at 31 December 2017 are given below. The Office had spent a sum of Rs.53,989,402 on the category of Personal Emoluments in the year under review.

	Category Employees	of Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	22	12	10
(ii)	Tertiary Level	10	07	03
(iii)	Secondary Level	32	24	08
(iv)	Primary Level	32	25	07
(v)	Contract Basis	03	03	-
	Total	99	71	28
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The following observations are made in this connection.

(a) Recruitments and Vacancies of Staff

- (i) Three officers for the three posts of Legal Consultant and Language Consultant of Senior Level and the Language Coordinator of Tertiary Level had been recruited on contract basis under the approval of Cabinet of Ministers.
- (ii) The Office had failed to identify the staff required to perform the functions of the Office without any impediment and to fill 28 vacancies as at the end of the year under review.

(b) Staff Training

The following observations are made in this connection.

The number of officers who had not received any kind of training during the year under review stood at 63 and the number of officers who did not receive a training of at least 08 hours per annum had also been 63.

2.9 Security of Public Officers

In terms of the provisions in Financial Regulation 880, officers who are administratively responsible for or, who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores, or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the Public Officers (Security) Ordinance (Cap.612) for the faithful discharge of their duties. Nevertheless, officers of the Office who are required to furnish security had not done so.