

Head 311 – Report of Auditor General of the Department of National Physical Planning – Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the Schedule and Third Schedule of the Appropriation Account Act No.24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to audit by the Department of National Physical Planning. The financial and Physical performance reflected from the account and the reconciliation statement were audited in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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

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. The minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Finance Regulation 124 (2). The Head of the Department will be the Accounting Officer in respect of all 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 Article 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 Head 311 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, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, 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 Director General of the Department on 06 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 rests 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 Department of National Physical Planning for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above in detail. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in Paragraph 2.1 to 2.11 of this report. The audit observations revealed in the execution of accountability as the Accounting Officer in accordance with provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka, to ensure the adequacy of the financial administration are summarized and shown in the under mentioned table.

Accountability of and Accounting Officer in terms of Financial Regulation 128(1)	Non-compliances with that Regulation by the Accounting Officer	Reference to paragraph that included the observations
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Financial Regulation		

128(1)(a)	Having regard to the policy laid down by the Government and the intention of Parliament in granting the financial provision for the activities Authorized, and that an endeavour is made to complete the Programme of work laid down to attain the targets specified.	<ol style="list-style-type: none"> 1. Non - preparation of the Action Plan accurately. 2.1.1 2. Not perform the actions laid down in the action plan. 2.1.2 3. Not planning of procurement activities adequately. 2.3.1 4. Deficiencies in the implementing Procurement Procedure. 2.3.2
		2.6
		2.10
128(1)(d)	An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	Deficiencies in the advance to public officers account 2.7
128(1)(e)	Adequate and proper arrangements should be made for the safe custody and prevention of money, stores, equipment and other assets belonging to the Government, or is in the custody	Weakness in Assets Management 2.3

and those items are verified from time to time and, where they are disposed of, such disposal is accounting to Prescribed Regulations and instructions.

128(1)(f)

The information, statements and returns are called for by the Chief Accounting Officer or the Treasury are rendered correctly and promptly

Non - preparation of annual performance report 2.1.3

2. Material and Important Audit observations

2.1 Performance

2.1.1 Planning

The Annual Action Plan for the year 2017 had not been prepared in terms of the State Finance Circular No.01/2014 dated 17 February 2014. There were 09 activities to be performed to the Department during the year under review and the following deficiencies were observed in the Annual Action Plan that prepared by the Department in order to achieve the expected results.

- (a) The particulars relating to the updated organization structure for the year under review, approval cadre and the current cadre position had not been furnished with the Action Plan.
- (b) In addition to the Treasury Provisions received by the Department for the year under review, the other Provisions had also been received by the Department under the Programme of “Meth Sith Arana” for the conducting of various programmes. However, those activities had not been included to the Action Plan of the Department.
- (c) Based on the Priorities and in accordance with the annual budget, time targets of the activities and expected results, had not been included to the Action Plan.
- (d) The imprest requirement plan for the annual activities, the plan for the provisions for main development activities and internal audit plan had not been included to the Annual Action Plan.

2.1.2 Non – Execution Performing of Activities

Non - Execution of the activities included in the Action Plan

According to the Annual Action Plan, 9 activities should have been executed by the Department. However, only 4 activities had been completed out of those activities and an aggregate amount of Rs.196.4 million had been allocated for the non – executed five major activities. It had been expected to develop the Anuradhapura City through the Lolugaswewa Urban Development activities as per the Action Plan. However, the Department had failed to

achieved expected results due to the reasons of delay in obtaining the approvals, delay in obtaining of feasibility reports, not performing of procurement activities according to the plans.

2.1.3 Annual Performance Report

In terms of Public Finance Circular No.402, dated 12 September 2002, the performance report should be tabled in Parliament by the Department within 150 days after closure of the financial year. However, that report relating to the year under review had not been tabled in Parliament even by 30 June 2018.

2.2 Local Funded Projects

2.2.1 Procurement Planning and Initial Stage

In terms of Guideline 4.2.1 of the Government Procurement Guidelines, the detailed procurement plan and the master procurement plan had not been prepared and obtained the approval thereto.

2.2.2 Implementing of Procurement Procedure

The following observations are made in this regard.

- (i) Even though a sum of Rs.01 million had been allocated for the purchase of machines and equipment through the Annual Budget, it had not been included to the Procurement Plan.
- (ii) Even though the Procurement activities of the Purchasing of office equipment had scheduled to be completed by 28 February 2017, it had not been completed and actions had not been taken to even revise the Procurement plan.
- (iii) Even though two quotations had been furnished to purchase of equipment for Rs.624,150 in the month of September 2017, a Procurement Committee had not been appointed. As well, the authorized officers had not signed in the bid opening documents.
- (iv) According to the Procurement plan, a sum of Rs.2 million had been allocated for the purchase of office equipment. However, the office equipment had been procured for Rs.6.257 million exceeding the Provisions due to not updating and monitoring of the Procurement Plan in terms of Guidelines 4.1 and 4.4 of the Government Procurement Guidelines.
- (v) Six works/ goods valued at Rs.197.5 million which had been included to the Procurement Plan, had not been procured during the year under review.
- (vi) Four activities valued at Rs.1,210,403 which had not been included to the Procurement Plan had been performed during the year under review.

(vii) Without being conducted the Procurement activities in proper manner, the quotations had been called in several times by cancelling the previous quotations for repairing of a motor vehicle. As a result, a loss of Rs.53,620 had been sustained by the Department.

(viii) The bid evaluation summary reports had not been prepared by the Technical Evaluation Committees in terms of Guideline 2.11.3 of the Government Procurement Guidelines.

2.3 Assets Management

The following deficiencies were observed at the audit test check carried out relating to the assets of the Department.

(a) Registration of Assets

A difference of Rs.72,357,395 was observed between the value of the assets that had been included in the Assets Registers and furnished to the Competitor General Office of the Ministry of Finance in terms of the Asset Management Circular No.2017/01 dated 28 June 2017, and the non-current assets movement report amalgamated to the Appropriation Account.

(b) Idle and underutilized Assets

Five motor vehicles valued at Rs.6,330,000, for a period of 6 months to 12 months and three buildings valued at Rs.7,965,000, since the year 2010 to 06 September 2018.

(c) Conduct Annual Board of Survey

Actions had not been taken in terms of the Public Finance Circular No.05/2016 dated 31 March 2016 relating to the excesses, deficits and the other recommendations shown in the Annual Board of Survey reports of the year 2017.

2.4 Damages and Losses

A motor vehicle, numbered 57-9387, belonging to the Department had not been insured and that motor vehicle met with an accident on 26 February 2014. After the accident, the motor vehicle had been garaged at the office premises and two sets of lights, the cassette player and the driving seat of the motor vehicle had been stolen while kept in the garage. The Department had not taken proper action in that regard.

2.5 Lack of Evidence for Audit

The receipts for the payment vouchers aggregating to Rs.385,569 had not been furnished to audit.

2.6 Utilization of Allocated Funds by Parliament for Execution of Activities

The Particulars relating to the provisions made to the Department, utilization and savings for the last 5 years period ended 31 December 2017 and audit observations thereon are as follows.

Year	Expenditure Category	Net Provision	Utilization	Savings	Savings as a percentage of the provision
		Rs.mn	Rs.mn	Rs.mn	
2013	Recurrent	145.1	140.5	4.6	3.2
	Capital	11.8	11.7	0.1	0.8
	Total	156.9	152.2	4.7	3.0
2014	Recurrent	153.3	150.6	2.7	1.8
	Capital	9.7	7.4	2.3	23.7
	Total	163.0	158.0	5.0	3.1
2015	Recurrent	179.2	169.0	10.2	5.7
	Capital	13.0	7.6	5.4	41.5
	Total	192.2	176.6	15.6	8.1
2016	Recurrent	182.7	175.9	6.8	3.7
	Capital	109.1	8.4	100.7	92.3
	Total	291.8	184.3	107.5	36.8
2017	Recurrent	181.0	174.4	6.6	3.6
	Capital	211.4	16.0	195.4	92.4
	Total	392.4	190.4	202.0	51.5

The following observations are made relating to the year under review.

(a) Non-utilization of allocations provided

The total Net Provisions made on 3 Objects amounting to Rs.191,900 had been fully saved without being utilized.

(b) Providing of over provisions

The over provisions totalling Rs.196.94 million had been provided on 07 Objects. Out of those over provisions made on the related Objects, an aggregate amount of Rs.11.28 million had only been utilized. As a result, the savings, out of the net provisions had been ranging from 17 per cent to 98 per cent.

(c) Utilization of Provisions made by other Ministries and Departments

The provisions totalling Rs.39,086,409 had been provided by the Ministry of Western Development and Mega Police for various activities and out of those provisions, an aggregate amount of Rs.7,839,649 had been utilized. Accordingly, a sum of

Rs.31,246,760 or 80 per cent of the allocated amount had been saved up to end of the year under review.

2.7 Advance to Public Officers Account

Limits Authorized by Parliament

The Limits authorized by Parliament for the Advance to Public Officers Account under the item No.31101 for the Department, and the actual amounts are given below.

Expenditure		Receipts		Debt Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.mn	Rs.mn	Rs.mn	Rs.mn	Rs.mn	Rs.mn
12.00	11.43	8.00	8.75	50.00	34.64

Non - Recovering of Outstanding Balances

According to the reconciliation statements furnished to audit, the outstanding balance except the debtor balances of the transfer officers as at that date totalling Rs.574,630 and that balance was existed for over 5 years. The Department had failed to recover those balances.

2.8 Imprest Accounts

The following observations are made.

- Contrary to the stipulated requirement of Financial Regulation 371 (2) as amended by the Public Finance Circular No.03/2015 dated 14 July 2015, ad-hoc imprest amounting to Rs.1,227,210 had been given to 19 non-staff grade officers in 137 instances.
- In terms of Financial Regulation 371 (5), as amended by the above circular, the ad-hoc advances should be settled within 10 days after being completed the intended works. However, the ad-hoc advances totalling Rs.111,250 that given in 07 instances had been settled after being delayed for a period ranging from 15 to 37 days after being completed the work.

2.9 Not maintaining of Books and Registers

According to the Treasury Circular No.842 dated 19 December 1978, the Department had not up dated the fixed Assets Register for lands and buildings. Other Asset Register except the motor vehicles had not been maintained. In terms, of Guideline 2.11.2 of the Government Procurement Guidelines, attendance registers for Technical Evaluation Committees had not been maintained.

2.10 Internal Audit

Some functions which had been included to the Internal Audit Plan for the year 2017, had not been performed even up to end of the year under review.

2.11 Human Resources Management

Recruited staff, Actual staff and Expenditure on personal remuneration

The particulars relating to the approval cadre and actual cadre as at 31 December 2017 are shown below. A sum of Rs.129.928 million had been incurred by the Department for personal remuneration during the year under review. Accordingly, expenditure per person amounted to Rs.460,739.

	Category of Employees	Approval Cadre	Actual Cadre	Number of vacancies
(i)	Senior Level	51	11	40
(ii)	Tertiary Level	08	01	07
(iii)	Secondary Level	114	78	36
(iv)	Primary Level	205	192	13
		378	282	96

The following observations are made in this regard.

- Actions had not been taken to fill 96 vacancies as at end of the year under review including 02 vacancies in senior level and 38 vacancies in executive level.
- Due to the vacancies in 03 Assistant Director posts, 03 officers had been appointed to cover the duties of those posts since 20 November 2015 and it was observed that those officers had covered the duties of those posts up to 31 December 2017.
- Human Resources released to other parties**

Despite 36 vacancies in secondary level posts in the Department, the Department had released the human resources to the other parties and the details are as follows.

	Category of Employees	Number	Ministry to Released	Year of release
(i)	Development Assistant	01	Ministry of Housing and Construction	2017
(ii)	Development Officer	03	Ministry of Mega Police and Western Development	2017
(iii)	Planning Technician	01	Ministry of Mega Police and Western Development	2017

