

Head 253 – Report of the Auditor General on the Department of Pensions - Year 2017

The Appropriation Account and the Reconciliation Statement and the 02 Revenue Accounts relating to the Revenue Codes mentioned in 3.1.1, 3.1.2 and 3.1.3 of Annual Budget Estimate, 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 Department of Pensions. 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 on the Financial Management and Accountability of the Chief Accounting Officer, Revenue Accounting Officer and the 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 of the Democratic Socialist Republic of Sri Lanka. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial 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 the Department of Pensions – Head 253 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 of Pensions on 04 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 Observation

The audit observations of the Department of Pensions 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 those observations included in paragraph 2.1 to 2.13 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 undermentioned table.

Accountability of the Accounting Officer in terms of Financial Regulation 128	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph of the report included Observation
----- Financial Regulations -----	-----	-----
128(1)(a) The work of his Department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intention of Parliament in granting him financial provision for the activities authorized, and that an endeavour is made to complete the programme of work laid down for the year and /or to attain the targets specified.	1. Non-preparation of Budget Estimates realistically. 2. Weakness in implementation of Procurement Process	2.9(a) 2.3
128(1)(b) The organization for financial control and accounting in his department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received, the authorization of commitments on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefore from public funds.	1. Weakness in implementation of Procurement Process 2. Weakness in performing services for public	2.3 2.8
128(1)(d) An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	1. Weakness in Revenue Accounts. 2. Weakness in Advances to Public Officers Account.	2.10(a)(b) 2.11

128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and, where they are disposed of, such disposal is according to prescribed Regulations and instructions.	1. Weakness in Assets management.	2.4
128(1)(f)	Such information, statements and returns as are called for by the Chief Accounting Officer or the Treasury, are rendered correctly and promptly.	1. Non-preparation of Budget Estimates realistically. 2. Non-preparation/Late presentation of Annual Performances Report.	2.9(a) 2.2.2
128(1)(h)	Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their recovery.	1. Weakness in Revenue Accounts. 2. Recovery of outstanding loan balances in Advances to Public Officers Account.	2.10(a)(b) 2.11
128(1)(o)	The procedure laid down in Financial Regulations 103 to 108 is adhered to in case of losses to Government by the delays, negligence's, faults or frauds on the part of officers/employees and surcharges are imposed on officers/employees responsible for such losses in terms of Financial Regulation 156(1). (His duty is imposed of adequate instructions for take care)	1. Non-receipt of revenue to be received to the Government from Assets. 2. Losses and Damages	2.4(a) 2.5

2. Material and Significant Audit Observations

2.1 The Main Functions of the Department

- (i) To monitor the process for offering pension benefits of public servants in consistent with Pension Minute and W&OP Act and impose relevant provisions.
- (ii) To award the pension to retired officers of public service in consistent with legal frameworks, rules and regulations and policy decisions in relating to the pension.
- (iii) To ensure uninterrupted payment of monthly pension and award accurately the benefit which is paid once and for all.
- (iv) To monitor the Public Servants Provident Fund and offer benefits.
- (v) To collect contributions for W&OP and other revenues on behalf of the Government and their management.

- (vi) To maintain and promote effective links with the units which prepare pension and banks and payment network connecting to the payment of pension.
- (vii) To assist for the formulation of policies on modern social security system whilst studying the global trends on social security.
- (viii) To ensure accountability to the legislature on the preparation of annual budget and its progress.
- (ix) To obtain contribution of private and non-government sectors for identification and implementation of programmes required to ensure social and economic welfare of pensioners' community.
- (x) To make civil society centering pensioners' associations the active partners in divisional development process.
- (xi) To be the avant-garde to build intergenerational relationship.

2.2 Performance

2.2.1 Inadequate fulfillment of Functions

The following observations are made.

- (a) More than 1500 unpaid files had remained in the Widows' and Orphans Division as at end of the year under review and during audit test check observed that were remained without payment a period of 1 to 7 years due to failure to receive Medical Board Reports, delay in furnish details from Divisional Secretariat and failure to receive details from officers since the date of those were received to the Department of Pension for obtain payments.
- (b) It had been spent 3 to 5 months to indicate defects in the applications were sent to the Public Servants Provident Fund Division of the Department.
- (c) The pensioners' applications send through the institutions for refund the Social Conservation Contributions were spent a period of one to 27 days for receive to the Contribution Unit after received to the Postal Division and a period of 89 days to 234 days to send a letter by indicate the defects.
- (d) The 645 incomplete files had remained in the Widow's and Orphan's Pensions contributions Refund Unit as at end of the year under review and it was observed that 38 per cent or 243 files out of it were received 03 years ago to the Department.

2.2.2 Annual Performance Report

Even though Annual Action Plan for the year under review should be tabled in Parliament by the Department within 150 days after end of the financial year according to the Public Finance Circular No.402 dated 12 September 2002, the Performance Report of the year 2017 had not tabled and the draft report had not been tabled for approval even as at 28 August 2018.

2.3 Implementation of Procurement Process

The following observations are made.

- (a) A sum of Rs.01 million had disbursed for modernization of Pension Management System and a private company not having adequate experience had been selected under Single Source Selection Method contrary to the Guideline 13.1 of the Government Procurement Guideline for selection and employ of Consultants and mythology included in Annual Procurement Plan. The professional qualifications and experience had not been with the main officers of the proposed staff included in Terms of reference of the project of modernization and maintenance of Pension Management System.
- (b) Although 04 contracts valued at Rs.3,628,400 had planned to be opened on month of February 2017, it was commenced on November and December 2017 and had been completed urgently.
- (c) The details such as late payment charges on delay and period of completion of the contract had not been included in 04 contract agreements valued at Rs.3,628,400 according to Financial Regulation 701(i).
- (d) Even though a formal contract agreement shall be signed for contract exceeding Rs.500,000 according to Guideline 8.9.1 of the Procurement Guideline, no actions had been taken according to the Guideline in purchasing were made on Rs.1,752,575 valued 06 photocopy machines, Rs.9,782,000 valued 100 laptop computers and a server valued at Rs.1,400,304.

2.4 Assets Management

(a) **Receivable income to the Government not receivable from assets.**

The premise of the Pension Department had given for 17 institutions as rent and the outstanding rent income as at 04 June 2018 was Rs.50.79 million. Out of this, an outstanding balance of Rs. 27.72 million of 04 state institutions over 08 years had removed from Pension Department premise as at 25 September 2017 and outstanding rent could not be collected due to unavailability of files and agreements.

(b) **Idle and Underutilized Assets**

The following observations are made.

- (i) The 12 items such as toners, ribbons and computer diskettes valued at Rs.940,780 had purchased without identification of requirements had not been

used from year 2014 to year 2017 due to low usage and non-usage of related photocopy machines.

- (ii) The building premise of 720 square feet at Department premise had given to Coastal Conservation Management Project was idling since the project estimated from the month of October 2014.

2.5 Losses and Damages

The following observations are made in this connection.

- (a) The overpayment of pensions in Appropriation Account as at end of the year under review had been Rs.551.95 million. Nevertheless these money were being recovered as installments, those were consisted Rs.9.94 million pertaining over 10 years, Rs.51.17 million pertaining to a period of 5 to 10 years and Rs.490.83 million pertaining to a period of less than 05 years.
- (b) The overpayment of pensions had not been dealt with in terms of Financial Regulations 103 and 104 and the related reports had not been furnished to the Auditor General. Meanwhile, files had not been maintained in respect of each pensioner to confirm recovery of overpayment had made by the pensioners.
- (c) Although the closing balance of Rs.320.25 million had been shown as losses and relinquishments in Appropriation Account in year 2016, the opening balance in the Appropriation Account in year 2017 had shown as Rs.321.36 and a deference of Rs.1.11 million was being existed.
- (d) The differences were shown in 45 Divisional Secretariats that direct recoveries had been made by the Department of Pension and 254 Divisional Secretariats that recoveries had been made by Divisional Secretariats comparing the opening balances of year 2017 and closing balances of year 2016 in Register of Losses and Damages.
- (e) Whereas payment of Handicap pension and service pension separately without consolidated for handicap armed forces members having less than 10/12 years' service period, the audit test check were observed that a sum of Rs.18,868,554 had overpaid only at January to November 2017 to 717 armed forces members retired after 01 January 2006.

2.6 Unresolved Audit Paragraphs

Reference to the audit paragraphs of weaknesses relating to the Department included the Reports of the Auditor General on which follow-up action had not been rectified is given below.

Reference to Report of Auditor General		Subject under Reference
Year	Paragraph No.	
(i)	2015 3.14(a)	A sum of Rs.15.94 million out of the Gratuity amounted to Rs.28.70 million were paid to 10 retired Supreme Court and Appeal Court Judges had not been recovered within 10 years.
(ii)	2013 2.7(a)	A sum of Rs. 182.22 million had been spent other than salaries and wages and training expenses for the e-pension project, the project had been terminated completely from 01 November 2013.
(iii)	2013 1.6(a) I	Six per cent of the contributions received from the initial salary on behalf of the pensions of the teachers of Pirivenas and assisted schools had not been credited to the government revenue without credited to the Teachers' Pensions Fund.
(iv)	2016 3.4(f) I	The pensioners included in Centralized Data Base System had not been confirmed through pensioners' census.

2.7 Management Weakness

The following weaknesses were observed at audit test checks.

- (a) The establishment date could not be found due to an agreement had not entered with Post Office being conducted on rent basis in premise of Department of Pension and an outstanding balance of Rs.1.62 million have to be recovered from month of June 2017 to 28 February 2018. Although the Postal Department had informed the removal of that office from premise of the Pension Department after 28 February 2018, action had not been taken to remove it. Therefore, the space of rooms consist of 927 square feet could not be used due to the entrance for 03 rooms in upstairs were existed through the Post Office.
- (b) A sum of Rs.7.26 million had been charged from the pension of 91,496 pensioners during the year under review without the membership numbers and the date of contribution received for Government Service Pension Trust Fund from the Government Servants were entitled for pension.

- (c) The 739 Deposit Certificates valued at Rs.2,897,209 and 02 Pass Books of Rs.192,629 of Minors had been prevailed unprotected manner in Accounts Division of the Pension Department even as at 15 October 2018.

2.8 Execution of Services to the Public

An information to be kept for benefit of general public had not maintained in their website according to Section 10 of the Right to Information Act No.12 of 2016 and an information to be published through a digital or electronic format by every Public Authority had not been published under publish of proactive information regulation No.20 of Gazette Extraordinary No. 2004/66 dated 03 February 2017.

2.9 Utilization of Provisions made by Parliament to execute Activities

The particulars relating to the provisions made available to the Department, Utilization and Savings during the 05 years period ended at 31 December 2017 and audit observations thereon are given bellow.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs. Millions	Rs. Millions	Rs. Millions	
2013	Recurrent	145,137	139,768	5,369	4
	Capital	49	41	8	16.3
	Total	145,186	139,809	5,377	3.7
2014	Recurrent	147,128	145,718	1,410	0.95
	Capital	96	95	0.1	1.04
	Total	147,224	145,813	1,411	0.96
2015	Recurrent	187,567	180,235	7,332	3.9
	Capital	52	52	0	0
	Total	187,619	180,287	7,332	3.9
2016	Recurrent	200,623	199,105	1,518	0.76
	Capital	40	32	8	20
	Total	200,663	199,137	1,526	0.76

2017	Recurrent	210,876	210,065	811	0.38
	Capital	31	29	2	6.45
	Total	210,907	210,094	813	0.39

The following observations are made in this regard.

(a) Appropriation Account

The following observations are made.

(i) Non-utilization of provision made available

The total provisions made available for 02 Objects amounted to Rs.1.25 million had saved totally without being utilized.

(ii) Excess provisions made available

The total excess provision relating to 09 objects were Rs. 1,008 million and a sum of Rs. 672 million only had utilized out of provisions relevant to those Objects. Thus, the savings had ranged from 9 per cent to 34 per cent out of the net provision made available.

(b) Non-accounting of expenditure in correct manner

Although the outstanding loan balance amounted to Rs. 45,792 million for end of the year under review had disclosed by annexure in Appropriation Account, a procedure had not been arranged to be able to accounted that loan balance by connect with the Treasury. Therefore the Pension Gratuity expenditure had based on above loan balance had not been accounted as government expenditure.

2.10 Estimated and Actual Revenue

A collection of Revenue amounting to Rs. 22,000 million had been estimated relating to the 02 Revenue Codes for the year 2017 by the Department and the Revenue collected in the year under review totalled to Rs. 22,940 million. That had been 104 per cent out of the estimated Revenue. The Details are given bellow.

Revenue Code	As at 31 December 2017			Collected Revenue as a percentage of Estimated Revenue
	Estimated Revenue	Actual Revenue	Surplus/(Deficit)	
-----	-----	-----	-----	-----
	Rs. Million	Rs. Million	Rs. Million	
20.04.01.00	14,000	15,531	1,531	111
20.04.02.00	8,000	7,409	(591)	92
	-----	-----	-----	
Total	22,000	22,940	940	104
	=====	=====	=====	

The following observations are made in audit on above Revenue Accounts.

(a) Revenue Code 20.04.01.00 – Social Conservation Contributions - Central Government

The following weakness were revealed.

- (i) Refunds from income amounting to Rs. 26,914,725 had been made during the year under review. Debit advices had not been obtained from the related institutions to confirm Rs. 26,396,371 of those payments as required by the Pensions Circular No.1/2001 of 15 January 2001.
- (ii) The Department of Pensions was not in possession of proper methods to confirm whether the contributions due had been definitely and continuously received from persons who become entitled to benefits such as widows/widowers' and widows' and orphans' pensions and refund of contributions.

(b) Revenue Code No.20:04:02:00 – Social Conservation Contributions - Provincial Councils

The following observations are made.

- (i) A register had not been maintained in respect of contributions from provincial council officers who had been released on secondment. As such, the information relating to the arrears of contributions could not be revealed.
- (ii) A suitable internal control method had not been executed in the Department to be able to confirm the arrears income and contribution had credited to Revenue Code according to Heads. Thus accuracy of Revenue amounted to Rs. 7,409.26 million collected during the year under review had not been confirmed.
- (iii) The arrears of revenue by end of the year under review amounted to Rs.496.30 million as per Revenue Account. The value reported by the provincial council

alone had been brought to account as arrears of revenue. Therefore arrears of revenue of the local authorities of Western Provincial Councils had not been brought to account.

- (iv) According to the information were received from 02 provincial councils, the value shown as contributions of Widows and Orphans payable as at 31 December 2017 and the amount appearing in the Revenue Account under those provincial councils differed by Rs.23.28 million.

2.11 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department, Item No.25301 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
53.00	53.00	28.00	29.44	160.00	138.70

The following observations are made in this connection.

According to the Reconciliation Statement submitted to the audit, the balance that remained outstanding from officers who vacated post, transferred to State Ministries/ Departments and transferred to Provincial Council Authorities totalled Rs. 1.82 million. Even though, those outstanding balances remained over periods ranging from 01 to 04 years and over 05 years, the follow-up actions on the recovery of outstanding loan balances were taken by the Department, it had not been settled up to now.

2.12 Operating Bank Accounts

Balances to be adjusted

The seven unidentified payments valued at Rs.173,255 were being prevailed from the month of January 2015 to October 2016 in People's Bank current account No. 033-1001-6-9026657 as at end of the year under review had not been settled even by 30 July 2018.

2.13 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure for Personal Emoluments

The particulars on approved cadre, actual cadre, vacancies and excess cadre as at 31 December 2017 to execute the functions mention in paragraph 2.1 above are given below. The Department had incurred a sum of Rs. 456.48 million for Personal Emoluments Expenditure Category for the year under review.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Over Staff
	-----	-----	-----	-----	-----
(i)	Senior Level	35	23	12	-
(ii)	Tertiary Level	11	06	05	-
(iii)	Secondary Level	1078	896	182	-
(iv)	Primary Level	75	64	11	-
(v)	Others (Casual)	-	4	-	4
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	Total	1199	993	210	4
		=====	=====	=====	=====

Staff Training

Although a sum of Rs.1.09 million had disbursed to train the staff, a minimum 8 hours training had not been given to 928 officers out of total staff of 993.