

Head 250 - Report of the Auditor General on the Department of State Accounts Year 2017

The Appropriation Account, the Reconciliation Statement, Advances to Public Officers Account, Payment of Advances Account on behalf of other Governments and Sundry Advances Account 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 State Accounts. The financial and physical performance reflected by the said 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 and the 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 the Department of State Accounts – Head 250 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 Director General of the Department on 31 July 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 State Accounts 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 those observations appear from paragraph 2.1 to 2.7 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 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

	Accountability of the Accounting Officer in terms of Financial Regulation 128(1)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph of the report which included the Observation
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Financial Regulations -----			
128(I)(a)	That 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 intentions of Parliament in granting him financial provision for the activities authorised 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. Over provisions 2. Failure in obtaining expected results	2.3 2.1
128(I)(d)	That an adequate system of internal check for receipts, payments and issues is maintained and tested from time to time;	Deficiencies in Non-Commercial Advances Accounts	2.5(ii)
128(I)(h)	That 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. Non-recovery of outstanding loan balances in the Advances to Public Officers Account 2. Non-recovery of loan balances in Non-commercial Advances Accounts	2.4 2.5(i)

2. Material and Significant Audit Observations

2.1 Performance

In terms of the Action Plan for the year 2017 of the Department of State Accounts, the expected target was to establish a prevailing reporting system by assisting in the implementation of the ITMIS Project. However, the said Project had not been implemented even by 13 August 2018 and as such, that target could not be achieved.

2.2 Obtaining Supplies and Services through the Procurement Process

Provisions of Rs.1.77 million had been made for obtaining supplies and services by the Department in terms of Government Procurement Guidelines and out of that, provisions of Rs.1.65 million had been utilized.

2.3 Utilization of Provisions made available by Parliament for Performance of Functions

Details on provisions made for the Department during a period of 05 years ended 31 December 2017, utilization and savings thereof and audit observations relating to the information of the year under review, appear below.

Year	Type of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provisions
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		Rs.Millions	Rs.Millions	Rs.Millions	
2013	Recurrent	35.22	31.31	3.91	11
	Capital	12.56	12.27	0.30	02
	Total	47.78	43.58	4.21	09
2014	Recurrent	30.24	30.21	0.03	0.1
	Capital	3.1	1.82	1.28	41
	Total	33.34	32.03	1.31	04
2015	Recurrent	36.15	35.69	0.46	01
	Capital	9.2	5.66	3.54	38
	Total	45.35	41.35	4.01	09
2016	Recurrent	41.6	41.21	0.39	01
	Capital	1.7	1.48	0.22	13
	Total	43.3	42.69	0.61	01
2017	Recurrent	44.23	42.90	1.33	03
	Capital	3.88	1.75	2.13	55
	Total	48.11	44.65	3.46	07

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

Excess Provisions

Excess provisions totalling Rs.4.89 million had been made for 06 Objects and as such, the savings after the utilization of provisions totalling Rs.2.55 million, ranged between 28 per cent and 89 per cent of the net provisions relating to the respective Objects.

2.4 Advances to Public Officers Account - 2017

Limits authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No. 25001 relating to the Department and the actual amounts are shown 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
4.00	3.39	1.50	1.83	14.00	9.18

The following observation is made in this connection.

Non-recovery of outstanding Loan Balances

According to the Reconciliation Statement presented to Audit, except for the loan balances of officers who went on transfer, the loan balances of two officers outstanding as at that date totalled Rs.297,799 and the Department had failed to recover those outstanding loan balances ranging from 04 years to 08 years.

2.5 Non-Commercial Advances Account - 2017

Limits authorized by Parliament

The limits authorized by Parliament for non-commercial advances accounts such as the approved Advances Account on Behalf of other Governments (25002) and Sundry Advances Account (25003) relating to the Department and the actual amounts are shown below.

Item	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
25002	4.00	3.24	2.00	3.04	3.00	0.78
25003	10.00	-	2.50	50.89	350.00	173.60

The following observations are made in this connection.

Non-recovery of Outstanding Loan Balances

According to the Reconciliation Statement presented to Audit under Sundry Advances Account – Item No.25003, the outstanding balances recoverable as at that date totalled Rs.173.14 million and the Department had failed to recover those outstanding balances remaining over a period of 07 years.

- (i) Only advances amounting to Rs.3.42 million had been settled in cash in the year 2017 under Sundry Advances Account and it had been 1.5 per cent of the opening balance of the year.
- (ii) Out of advances granted to the Polonnaruwa District Secretariat for purchase of paddy, a sum of Rs.47.47 million had been written off from books in the year 2017 as unrecoverable advances. Moreover, it represented 93 per cent of the total credits amounting to Rs.50.89 million indicated as actual receipts during the year.

2.6 Imprest Account - 2017

The imprest planned, the imprest applied and the imprest received in the year under review amounted to Rs.196.07 million, Rs.286.56 million and Rs.277.93 million respectively. Accordingly, as compared with the imprest planned during the year, 46 per cent had been applied in excess and 97 per cent of the applied imprest had been received.

2.7 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The position of the approved cadre, actual cadre and vacancies as at 31 December 2017 for performing the functions of the Department is as follows. The Department had spent a sum of Rs.34.15 million for the Category of Personal Emoluments for the year under review. As such, the annual per capita expenditure on emoluments had been Rs.656,686.

	Category of Employees	Approved Cadre	Actual Cadre	Vacancies
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(i)	Senior Level	16	12	04
(ii)	Tertiary Level	03	02	01
(iii)	Secondary Level	35	29	06
(iv)	Primary Level	12	09	03
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		66	52	14
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The total number of vacancies including 04 posts in the Senior Level stood at 08 by 13 September 2018 and if these vacancies adversely affect the performance of the Department, the necessity of filling the said vacancies or revising the cadre is stressed.