

**Public Expenditure Review Committee (PERC)**

**Review Report on Ministry of Public  
Administration, Home Affairs, Provincial  
Councils and Local Government**

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## Introduction

As per the Cabinet decision no 23/0256/604/030 dated 06.02.2023, ten committees have been established to review the expenditure of ten key Ministries. Those committees were empowered to rationalize government expenditure through a systematic review using zero based budgeting approach and to make recommendations to the Cabinet of Ministers for strengthening the economic recovery process in Sri Lanka.

Zero-based budgeting is a budgeting method where every expenditure item must be justified from scratch, regardless of its previous funding levels. Unlike traditional budgeting methods that start with the previous year's budget as a baseline. Zero-based budgeting requires departments, units etc, to build their budgets from zero, justifying each expenditure item individually. This requires critically evaluating the necessity and value of each project, activity, or expense. In promoting a more transparent and accountable financial management process, it is important to have a detailed examination of the required resources, the expected outcomes, and the alternatives available.

The committees are entrusted with responsibilities ascertaining the core activities and the mandate of the Ministry, identification of duplications, wastages and insignificant projects or spending, identification of efficient and effective procedures to utilize already allocated provisions and ensuring that the Ministry fulfill their responsibilities in a cost effective manner through zero budgeting approach.

Accordingly, the following personalities are appointed to the committee to review the expenditure of the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government.

Mr. A.K. Seneviratne	Deputy Secretary to the Treasury	Chairman
Mr. M.L. Gammampila	Additional Secretary, Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government	Member
Prof. D.A. Premakumara De Silva	Senior Professor Department of Sociology, Faculty of Arts University of Colombo	Member
Prof. Dilrukshi Yapa Abeywardhana,	Professor/Head of the Department of Accountancy, Faculty of Commerce and	Member

	Management Studies University of Kelaniya	
Dr. Mudith Sujeewa,	Senior Lecturer, Department of Accountancy, Faculty of Commerce and Management Studies, University of Kelaniya	Member
Mr. M.J.M. Ifham	Director, Department of National Budget	Convener

## Methodology

Since the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government consists of three main sections as indicated in the name of the ministry which were separate ministries in the past and has a budget of Rs. 922 billion in 2023, the committee has to look in to those three sections separately as the following categories including Pensions and Service Compensation with the respective provisions.

Categories	Provisions (Rs. Bn)
Public Administration	04
Pensions and Service Compensation of Death & Injured Soldiers	418
Home Affairs including District Secretariats and Department of Registrar General	54
Provincial Councils and Local Government	446
<b>Total</b>	<b>922</b>

The Committee has gone through the mission and vision of the entity and reviewed all programmes/projects/sub-projects/activities of the Ministry against how each contributes to achieving the objectives, mission, and vision. Further, it has focused on identifying duplications, wastages and insignificant projects or expenditure in the existing Budget Estimates. Also the committee has paid special attention to the projects implemented by the Ministry to identify core projects vital for the national objectives. The committee also considered the Framework for Assessing Public Financial Management, issued by the

European Commission, International Monetary Fund and World Bank<sup>1</sup> for the review of the expenditure of the Ministry.

Since this Ministry is administering the human resource for the public sector, the committee has taken up the issues on staff availability of this particular ministry and broad cross section of public sector human resource. The excessive recruitment in certain categories, shortage in technical staff, policy inconsistency and other relevant issues were widely discussed.

The focus of the committee has also been drawn to cost effectiveness of each expenditure, improving the efficiencies and cost reduction methodologies including Public Private Partnerships, Business Process Re-engineering and User Pay Mechanisms. The Key Performance Indicators (KPIs) to evaluate the achievement of the targets have been considered.

There were five meetings held by the committee as follows

Meeting Date	Discussion
17.03.2023	Initial discussion focused on the budgetary provisions of the Ministry related to the Terms of Reference
31.03.2023	<ul style="list-style-type: none"> <li>• Stakeholder discussion with the officials of e-Grama Niladhari (e-GN) Project, Department of Pensions, the Finance Commission, Tri Forces and Sri Lanka Police</li> <li>• Director General of Pensions, Project Director e-GN and the Secretary to the Finance Commission submitted written observations/comments on expenditure rationalization</li> <li>• Discussion with the Director General and the officials from the Department of National Planning and the officials from the Department of External Resources</li> </ul>
06.06.2023	<ul style="list-style-type: none"> <li>• Discussion with the Department of Registrar General</li> <li>• Discussion on the draft report of the committee</li> </ul>

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[https://www.pefa.org/sites/pefa/files/resources/downloads/PEFA%202016\\_latest%20version\\_with%20links%20%28%29.pdf](https://www.pefa.org/sites/pefa/files/resources/downloads/PEFA%202016_latest%20version_with%20links%20%28%29.pdf)

11.07.2023	<ul style="list-style-type: none"> <li>• Discussion with the District Secretaries of Kalutara &amp; Gampaha and a Senior Assistant Secretary of the Ministry on the issues related to district administration and regional development.</li> <li>• The officials of Colombo &amp; Dehiwala-Mount Lavinia Municipal Councils, Peliyagoda &amp; Kalutara Urban Councils, Ja-Ela &amp; Horana Pradeshiya Sabhas, and Commissioners of Local Government of Southern &amp; Western Provinces made representations to the committee, on the issues related to the local governance.</li> <li>• A further consultation of e-GN projects was also made with Project Director e-GN, Chairman Welfare Benefit Board and the officials from the Department of Census and Statistics.</li> </ul>
11.08.2023	Finalizing the draft report by the committee

## Review and Recommendations

The committee has considered the suggestions and observations made by the agencies mentioned above and the facts and the documents presented to formulate this report. The matters identified during the reviewing process and the recommendations of the Committee are given below.

### ***01: The excess staff in certain categories and certain institutions while shortage in others drive inefficiencies***

The committee has observed that the excessive carder in the District and Divisional Secretariats has created administrative & service delivery issues and underpaid & underutilized workforce. The posts like Economic Development Officer, Samurdhi Development Officer, Agriculture Research and Production Assistants and other similar officers mostly have the duties that could be performed the Grama Niladhari. Along with the digitalization of public services most of these posts will become obsolete and a burden to the General Treasury. This concern has been confirmed by the officials from the District and Divisional Administration.

### ***Recommendations:***

- i. Carder requirement should be defined rationally through a carder review at the Divisional and District Secretariat level after a thorough job study and outcome measures

- ii. The recruitment should be done in absolute necessity and only after all the other options like outsourcing and pooling from the agencies with excess carder were exhausted
- iii. Recruit the existing Development Officers internally to essential cadre positions such as extension services & technical positions, through approved recruitment procedures, enabling them to engage in promoting the production related activities
- iv. Those services which deemed to be duplications should be made dying services
- v. Recruitment should be made through competitive exams and merit order considering the real needs
- vi. Mass recruitments should be avoided

### ***02: High demand among the graduates for the public employment***

The committee is of the view that high demand among the graduates to obtain pensionable jobs in the public service lead to agitations and lobbying. The political sensitivity of this issue has effectively led to mass recruitments in the past like the graduate employment program and a hundred thousand jobs program. As a result, the public service has been inflated with 1.4 million employees. Further, it was observed that the mass recruitments crowded out the private sector depriving the latter from an educated workforce.

#### ***Recommendations:***

- i. Guide the graduates toward entrepreneurship by providing skills and concessionary loans
- ii. Since the Government Sector investing heavily on digital transformation and ICT infrastructure, on recruitments priority should be given to the graduates with skills in software development, data analysis, cyber security, ICT project management and critical thinking

### ***03: Delay in Implementation of the e-Grama Niladhari Project***

It has been brought to the attention of the committee that the e-Grama Niladhari, a signature project under the Ministry, is yet to be completed. The committee has invited the Project Team for a discussion. The Project Director of e-GN and Additional Secretary to the Ministry, has explained the committee on the output and outcome of the project such as establishing a core data base, based on the whole of the government concept and single digital presence enabling government to government data sharing and information verification. It was observed that

Rs. 1,500 Mn has been allocated under the National Budget 2023. It was highlighted that the issues on proceeding with procurement, abrupt changes of line Ministries and contradictory policy decisions have hindered the smooth implementation of the project. Therefore, it was informed that to avoid further delays, the Project will be implemented in 07 districts including Colombo, Gampaha, Kalutara and Puttalam as the first phase and then a gradual rollout will be done throughout the country. The data collection has already begun in Kalutara District. It was further explained that Grama Niladhari were given with necessary ICT knowledge and skills and a succession plan has been devised with necessary human resources to take over the functions from the vendors. Further, the committee had a discussion with the Chairman, Welfare Benefit Board and the officials from the Department of Census and Statistics on sharing of information and resources. It is informed that the e-GN is a service based database that collects a broader set of information than what collected for “Aswesuma Program” under the Welfare Benefit Board and data collected by the Department of Census and Statistics.

***Recommendations:***

- i. The roll out of e-GN project should be done gradually and the awarding of the scanning contract could be done district by district
- ii. Complete the process which has already begun in Divisional Secretariat Divisions in Kalutara District with existing resources and material already printed, and commence the delivering of the services there. Then the implementation could be started in other districts
- iii. The maintenance could be outsourced through service agreements in a cost effective manner
- iv. Collaborate with Universities to use the undergraduates as enumerators to increase the efficiency of the data collection
- v. The plan to ensure the sustainability of the e-GN has to be assured

***04: Strengthening the Department of Registrar General in Delivery of Services***

The Registrar General and the officials from the Department of Registrar General made representations to the committee. As it was explained that the department was performing primarily the registration of Birth, Marriage, Death and Land. The department is on the path to digitalization of the service delivery and made several improvements. However, lack of human resource capacity especially in ICT is hindering the progress. It was observed that the department earns around two thirds of its overhead expenditure through the service charges.



The committee observed the calculations of the service charges did not include all the cost, of which some has been borne through other agencies like ICTA on LGN Cloud. It was further observed that the digitalization process needed to be expedited. It was also highlighted the process and procedures needed to be simplified. The committee has paid special attention to the fact that the undervaluing of the lands in registration of the deed leads to reduction in government revenue.

***Recommendation:***

- i. A cost reflective pricing mechanism should be established for delivery of services
- ii. The digitalization of service delivery should be expedited to improve the efficiency and transparency
- iii. The ICT human resource capacity should be improved with necessary carder creation and recruitments
- iv. A proper plan has to be devised for resource allocation to improve and modernize the Department of Registrar General
- v. Obtaining the valuation of the Government Chief Valuer should be made compulsory for the registration of land

***05: National Ministries are allocated with funds for the devolved subjects***

The committee met with the officials led by the Secretary to the Finance Commission and had a thorough discussion on devolution and fund allocations to the Provincial Councils. One of the important issues discussed in detail was that, the National Ministries are provided with more funds for the devolved subjects which come under the Provincial Councils and the Provincial Councils are not given sufficient funds. The Finance Commission would distribute the funds given to the Provincial Councils equitably based on the criteria, some of which were clearly mentioned in the constitution. It was noticed that the distribution of the funds given to some National Ministries and implementation of projects without proper consultation of the respective Provincial Councils lead to duplications and overlapping. This issue has been further aggravated related to the subjects in the concurrent list of the constitution. The Committee has observed that provision for foreign funded projects like the General Education Modernization Project and Primary Healthcare System Strengthening Project are already allocated under the Provincial Councils. Hence, there are no legal impediments observed on providing budgetary provisions of foreign funded projects directly to the Provinces.

The committee has considered the comments, observations and proposals submitted by the Finance Commission and information obtain from the Ministry and other sources to make the recommendations on this issue

***Recommendations:***

- i. National Ministries should not be assigned with the devolved subjects
- ii. The number of National Ministries should be reduced and fixed constitutionally with defined subjects shedding devolved subjects
- iii. The National Ministries should not be provided with the budgetary provisions for devolved subjects
- iv. The Provincial Councils should be given sufficient allocation for devolved subjects on sectoral basis
- v. National Ministries should apply formulae based on clear and transparent allocation criteria such as population size, socioeconomic indicators and infrastructure needs; similar to that used by the Finance Commission to ration the provisions given for the subjects in concurrent list, in coordination with the Finance Commission and Provincial Councils.
- vi. The Finance Commission should conduct sectoral meetings with National Ministries and share the annual plans of the Provincial Councils and vice versa
- vii. Allocate provisions for relevant foreign funded projects of devolved subjects under the Heads of respective Provincial Councils.

***06: Limited revenue sources available for the Provincial Councils***

The committee has identified that the Business Turnover Tax (BTT) was the main source of revenue for the Provincial Councils. However, the collection of the BTT has been suspended through a policy decision. The Nation Building Tax (NBT), of which one third had been given to the Provincial Councils to compensate the BTT has also been abolished subsequently. Since the Revenue from Stamp Duty and Court Fines collected by the Provincial Councils are entirely transferred to Local Government Authorities, such revenue is not available for the Provincial Councils. It was also highlighted that, with dwindling revenue sources, the Tax Officers recruited in the Provincial Councils do not have adequate work.

***Recommendations:***

- i. Provincial revenue sources have to be reviewed to ensure the Provincial Councils generate sufficient revenue

- ii. Since the workload is less and those revenue collection could be covered by the existing provincial council employees as part of their normal duties, consider the Provincial Revenue Service as a dying service to cease further recruitments

#### ***07: Strengthening the monitoring mechanism of Provincial Councils***

The committee has inquired about a system to monitor outputs and direct outcomes of projects implemented by the Provincial Councils. Though the Finance commission was in agreement to establish such a system, it was pointed out that there is no constitutional provision or legal authority to do so. The committee is of the view that, since the Finance Commission is recommending the provisions for the Provincial Councils, it is incumbent on them to monitor what happens to the amount recommended and what are the impacts made on the criteria used to assess the provision requirement. The Finance commission has mentioned that it was conducting progress review and annual review meetings. It was highlighted in the discussion that, since the Governors have the authority in the Provinces, there were instances of noncompliance with the Government circulars on recruitments, promotions and payment of allowances that has not been properly monitored.

#### ***Recommendations:***

- i. Establish sound monitoring, oversight and reporting mechanisms at Local, Provincial and National Level, facilitated by the Finance Commission
- ii. The Presidential Secretariat could issue common guidelines for the governors of the Provinces in making decisions on matters with long term financial implications such as recruitments and allowances adhering to government's rules and regulations

#### ***08: The Imprest for the provisions channeled through the Ministry assigned with Provincial Council***

It was brought to the attention of the committee that the Department of Treasury Operations releases imprest for capital expenditure directly to the Provincial Councils. However, the imprest for recurrent expenditure which is less discretionary, is channeled through the Ministry in charge of the subject of Provincial Councils. It was informed that this practice has created many issues. The committee observed that the capital expenditure which needs more scrutiny has been given directly while the recurrent expenditure which has less discretion has channeled through the Line Ministry.

***Recommendation:***

Reduce the administrative delays by providing imprest for recurrent allocation directly to the Provincial Councils.

***09: Rationalization of the funding of the General Treasury to the Local Government Authorities***

The committee has observed that the Local Government Authorities (LGAs) have potential to generate revenue through the services delivered. At the same time the Court Fines and Stamp Duties directly given to the LGAs and no oversight over the utilization of those revenue. There are several LAs that could be self-sustained. However, the General Treasury bears the cost of salaries of the members and employees of the LGAs by providing around Rs 28 billion annually channeling through provincial councils. Therefore, the LGAs have no incentive to revise the rates periodically. There are considerable arrears in revenue of LGAs. It also highlighted the political interferences preventing the officials from reaching revenue targets. The committee is of the view that provisions for the LGAs should be assessed case by case.

***Recommendations:***

- i. The financial position of the Local Government Authorities (LGAs) should be reviewed by an expert committee to find ways to make them self-sustainable
- ii. The National Government should gradually stop funding the Local Government Authorities. As the first step all the Municipal Councils should be removed from government funding. Contributions to Urban Councils should be reduced gradually within five years. The remaining LGAs will also be curtailed with funding case by case
- iii. The Financial Positions of the LGAs have to be improved by revising the rates on regular intervals. For this the Government Valuation Department has to be strengthened with necessary recruitments. Suitable formulae could be introduced for valuation that could be applied by the public officers to expedite the valuation process
- iv. The amendment of Acts for the revision of rates should be expedited and the revenue sources of the LGAs should be strengthened
- v. Though the LGAs have taken steps to digitalize the revenue collection, the automated and online payment of methods should be further strengthened in line with the Interim Budget Proposal 2022
- vi. The Government Agencies should prioritize the payment of the local taxes

- vii. Pooling and sharing of human resources to meet the shortages at the LGAs from excess human resource available in the National Government Institutions
- viii. The oversight on the fund utilization of the LGAs has to be strengthened

***10: The large Pension bill and delays in Gratuity payment***

The Director General of Pensions has mentioned that pension payments of the Police and civil officers are governed by the Minutes on Pensions and that of the Tri Forces are governed by different laws. In the National Budget 2023, Rs. 375 billion has been allocated as Civil and Armed Forces Pensions (Rs. 252 Bn), Widow/er's & Orphan's Pensions (Rs.65 Bn) and Gratuity Payment (Rs. 58 Bn). In addition Rs. 42.5 billion has been allocated for Service Compensation for Death and Injured Soldiers. The DG Pensions informed the committee that there were considerable arrears to be paid as Gratuity and the long list of pensioners were in the waiting list to obtain the gratuity payment. It was pointed out that the employees who were recruited on contract and temporary basis are obtaining the pension right, when it is converted to a permanent employment, leading to increase in the pension bill in the future. The committee has discussed extensively on the need to establish a pension fund and DG Pensions also concurred with the same view. The recommendations of the committee on this are made considering the comments, observations and proposals of the DG Pensions.

***Recommendations:***

- i. A contributory pension scheme should be implemented and a pension fund should be established at earliest
- ii. No gratuity payment should be included in the proposed contributory pension scheme
- iii. Until such pension fund to be in place, a Widow/er's & Orphan's Pensions fund has to be established as an independent fund, using the current deductions
- iv. The employees recruited on a temporary basis should not be given pension rights. They could come under the Public Service Provident Fund

***11: Provisions for Service Compensation for Death & Injured Soldiers are given to the Department of Pensions but payments are made by the Tri Forces and the Police***

The committee has discussed this issue extensively with DG Pensions, Representatives from Ministry of Defence, Ministry of Public Security, Tri Forces and Police. It was informed that there are around 41,200 recipients of the Service Compensation for Death and Injured Soldiers. Out of them around 33,000 are from the Army, 2,600 are from Sri Lanka Police and the rest

are from the Navy and the Air Force. It was explained about the salaries & wages, pension, disability payment and other allowances paid to the soldiers who are permanently disabled and to the dependents of them who sacrificed their lives. It was brought to the notice of the committee that, even though there was a database of the recipients, the information available in the Department of Pension was limited and there was a possibility of double payment of Cost of Living Allowance.

The committee has observed that, even though the Department of Pensions was dedicated for the payment of pensions, one tenth of the allocation given to the Department of Pension is handled by the Tri-Forces. Hence, the issues should be rectified through increasing the transparency by improving the database. The representatives from the Ministry of Defence made it clear that the Service Compensation for Death and Injured Soldiers is not a pension payment but a compensation as per the policy decisions made in 1982 during the early stage of the war. The committee emphasized the fact that, since the provisions are given to the Department of Pensions, the DG Pensions is accountable to Parliament. Therefore, the committee has considered the information revealed above to make the recommendations.

***Recommendations:***

- i. Maintain the database using the National Identity Card Number as the basis for identification to avoid duplications
- ii. The payment should be brought under the mechanism of the Department of Pensions

***12: Considerably high rental expenditure and underutilized public buildings***

It was highlighted in the discussions that the government has spent billions of rupees in construction of buildings for public institutions. However, some public buildings are underutilized even in the commercial areas, whereas several public institutions are at rented buildings. It was also observed that the first few floors of the buildings in high commercial areas could be rented out to the private sector, which will benefit the both.

***Recommendations:***

- i. Conduct a space audit of public buildings and ensure optimal usage
- ii. Relocate the public institutions at private buildings to the public buildings as much as possible
- iii. Explore and establish Public Private Partnership opportunities where the government collaborate with private entities to develop or lease properties at more favorable terms

- iv. Construct commercial ventures while providing adequate residential facilities for public servants in the underutilized lands belongs to the Ministry of Public Administration like Summit Flats at Colombo 07 as a Public Private Partnership
- v. Government institutions should stop construction of Circuit Bungalows and holiday homes
- vi. After a thorough study, the loss making underutilized properties should be divested
- vii. Pooling resources and share facilities with other government institutions which will lead to cost saving and reduce individual rental expenses

### ***13: High fuel and fleet maintenance cost***

The committee observed that the cost of providing an assigned vehicle was considerably higher than providing transport allowance. The government has to pay a considerable amount on lease and rental payment for providing assigned vehicles. Further, it has to maintain a carder of drivers. Hence, the hidden cost may be even higher. At the same time, with the availability of online cab services, the public officers have more traveling options than using their own vehicles.

#### ***Recommendations:***

- i. Obtaining transport allowance has to be encouraged instead of providing assigned vehicles
- ii. In any case, public servants should not be assigned with more than one vehicle
- iii. Fixing of GPS tracking system to the public sector vehicles to ensure optimum utilization
- iv. It is noticed that the transport allowances given to the government officers vary among different services. Considering the present economic hardship it needs to be rationalized

### ***14: Public sector electricity consumption a burden the General Treasury***

The committee has observed the public sector was a main consumer of electricity and the General Treasury has to bear the burden. The Ministry of concerns is also a prime consumer since all provincial councils, district secretariats and divisional secretariats come under the same. On the other hand, the government offices have high potential to tap renewable energy to become self-sufficient and could contribute to the national grid.

***Recommendations:***

- i. The alternatives for the electricity usage like solar panels have to be introduced making public institutions self-sufficient in energy
- ii. The private sector could be encouraged to install solar panels in the public buildings as a Public Private Partnership

***15: The affairs of the Members of Parliament are handled by several agencies***

It was observed that the affairs of the Members of Parliament are handled by Parliament and the Parliamentary Affairs Division of the Ministry. This arrangement increases the overheads and does not reflect the whole expenditure in one place. This also creates difficulties for the Hon. Members of Parliament since they have to visit different places to obtain the services. Hence, it will be beneficial to shift all the services to Parliament which will be efficient and convenient.

***Recommendation:***

The affairs of the member of the Parliament should be managed by Parliament




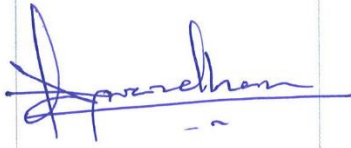
***16: There are several institutions dealing with the Subject of Official Languages***

The committee observed that there are several public funded institutions that deal with the matter related to official languages. They are, Official Language Division of the Ministry, Department of Official Languages, Official Languages Commission and the National Institute of Language Education and Training. In addition to this, there are many universities and institutions that deal with languages. This may lead to duplications, inefficiencies and increased overhead expenditure.

***Recommendations:***

- i. The functions of these institutions have to be reviewed and scope & roles should be defined
- ii. Restructuring should be done if necessary



Name	Designation	Signature
Mr. A.K. Seneviratne	Deputy Secretary to the Treasury (Chairman)	
Mr. M.L. Gammampila	Additional Secretary, Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government (Member)	
Prof. D.A. Premakumara de Silva	Senior Professor Department of Sociology, Faculty of Arts, University of Colombo (Member)	
Prof. Dilrukshi Yapa Abeywardhana	Professor/Head of the Department of Accountancy, Faculty of Commerce and Management Studies University of Kelaniya (Member)	
Dr. Mudith Sujeewa	Senior Lecturer, Department of Accountancy, Faculty of Commerce and Management Studies, University of Kelaniya (Member)	