

## Head 130 – Ministry of Local Government and Provincial Councils

### Report of the Auditor General – Year 2013

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#### 1.1 Scope of Audit

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The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Local Government and Provincial Councils for the year ended 31 December 2013 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 11 September 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements 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.

#### 1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

#### 1:3 Audit Observations

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According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (b) and other major audit findings appearing in paragraphs 1:4 to 1:7 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Local Government and Provincial Councils had been prepared satisfactorily.

## (a) Appropriation Account

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 The following observations are made.

## (i) Total Provision and Expenditure

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 The total net provision made for the Ministry amounted to Rs.4,760,914,770 and out of that a sum of Rs.3,179,374,946 had been utilized by the end of the year under review. Accordingly, Rs.1,581,539,824 or 33 per cent out of the net provision had been saved. Details appear below.

Expenditure	<u>As at 31 December 2013</u>			
	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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	Rs.	Rs.	Rs.	
Recurrent	249,284,770	229,846,949	19,437,821	8
Capital	4,511,630,000	2,949,527,997	1,562,102,003	35
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Total	4,760,914,770	3,179,374,946	1,581,539,824	33
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## (a) Budgetary Variance

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 The following variances were observed.

- (i) The entire net provision amounting to Rs.189,753,000 made under seven Objects had been saved.
- (ii) Excess provisions had been obtained for 30 Objects and as such the savings thereunder after utilizing the provisions ranged between 6 per cent and 97 per cent of the net provisions relating to those Objects.

## (b) Advances to Public Officers Account

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 Limits Authorized by Parliament

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 The limits authorized by Parliament and the actual amounts of the Advances to Public Officers Account of the Ministry are given below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
13001	8,000,000	7,284,465	4,000,000	5,229,486	35,000,000	24,611,862

The following observation is made.

According to the Reconciliation Statement of the Advances to Public Officers Account Item No.13001 as at 31 December 2013, the balances that remained outstanding totaled Rs.557,197. The Ministry had failed to recover the loan balance of Rs. 143,200 included in the outstanding balance remaining for the period ranging from 3 to 4 years, recoverable from an interdicted officer.

#### 1.4 Assets Management

##### Conduct of Annual Boards of Survey

In terms of the Public Finance Circular No.441 of 09 December 2009 as amended by the letter No.PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Annual Boards of Survey for the year 2013 should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2014. Nevertheless, those reports had been furnished to the Auditor General by the Ministry only on 09 June 2014.

#### 1.5 Non-compliances

##### Non-compliances with Laws, Rules, Regulations etc.

Instances of non-compliance with the provisions of laws, rules, and regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations

Non-compliance

Circular of the Presidential Secretariat

Circular No.CA/1/17/1 of 14 May  
2010

- (i) Paragraph 3.1 The maximum number of official vehicles that could be assigned for the use and security purposes of the Ministers had been 03. Nevertheless, seven vehicles and three vehicles had been assigned excessively for the use and security purposes of the Minister and the Deputy Minister of Local Government and Provincial Councils respectively.
  
- (ii) Paragraph 2.1 Even though two drivers only could have been employed under the approved cadre, five drivers for the Minister and three drivers for the Deputy Minister had been allocated.

#### 1.6 Expenditure contrary to the Objectives

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The following expenditure made contrary to the objectives had been revealed at the audit test check.

- (i) A provision of Rs.5,000,000 had been made by the annual budget estimate for the Local Government Week from 09 to 15 September 2013. Out of that, a sum of Rs.4,977,262 had been spent to hold the Local Government Conference- 2012 while no money whatsoever had been spent in respect of the Local Government Week.
- (ii) Out of the provisions of Rs.5,000,000 made in year 2013 for the installation of a data system including the information of local government institutions, a sum of Rs.4,032,285 had been spent to purchase machinery and equipment and had been distributed to each division.

## 1.7 Human Resources Management

### ----- Approved Cadre and Actual Cadre -----

The position of the cadre of the Ministry as at 31 December 2013 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i)	Senior Level	27	25	02	-
(ii)	Tertiary Level	04	03	01	-
(iii)	Secondary Level	137	108	29	-
(iv)	Primary Level	54	38	16	-
	Other (casual/temporary/ contract basis)	-	12	-	12
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	Total	222	186	48	12
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The following observation is made.

The Ministry had not taken action to fill 48 vacancies.