

Report of the Auditor General on Head 279 – District Secretariat – Kegalle – Year 2014

Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the District Secretariat and the Audit Observations on each Head appear in paragraph 3 onwards.

1. The Divisional Secretariats under the District Secretariat.

- (a) Kegalle
- (b) Mawanella
- (c) Aranayake
- (d) Bulathkohupitiya
- (e) Rambukkana
- (f) Galigamuwa
- (g) Warakapola
- (h) Dehiowita
- (i) Ruwanwella
- (j) Yatiyanthota
- (k) Deraniyagala

1.1 Scope of Audit

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the District Secretariat, Kegalle for the year ended 31 December 2014 was carried out in pursuance of provisions in 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 District Secretary on 08 July 2015. The audit observations, comments and findings on the accounts and 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 enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and the Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements 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 and the Public Finance and Administrative Regulations. The 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.

2. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the District Secretariat amounted to Rs.588 million and out of that Rs.551 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the District Secretariat amounted to Rs.37 million or 6 per cent. Details are given below.

Expenditure	<u>As at 31 December 2014</u>			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
-----	-----	-----	-----	-----
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	518	507	11	2
Capital	70	44	26	37
Total	588	551	37	6
	=====	=====	=====	

(b) Utilization of Provisions made available by other Ministries and Departments

Provisions totalling Rs.2,303 million comprising Rs.747 million and Rs.1,556 million had been made available by 27 Ministries and 20 Departments respectively for various activities. Out of that, Provisions totalling Rs.2,044 million comprising Rs.658 million and Rs.1,386 million respectively had been utilized. Accordingly the savings amounted to Rs.259 million comprising Rs.89 million and Rs.170 million respectively. Savings after the utilization of provisions made available by each Ministry and Department ranged from 0.07 per cent to 95.58 per cent.

2.2. Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

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

Item Number	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
27901	38	33.4	30	29.8	150.6	135.3

2.3 Imprest Account

The balance of the Imprest Account of the District Secretariat as at 31 December 2014 amounted to Rs.462.4 million.

2.4 General Deposit Account

The balance of the Deposit Account of the District Secretariat as at 31 December 2014 amounted to Rs.557.6 million.

2.5 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations, appearing in the Management Audit Report referred to in Paragraph 1.1, the Appropriation Account and the Reconciliation Statements of the District Secretariat, have been prepared satisfactorily. The material and important observations out of the observations included in the Management Audit Report appear in Paragraph 3 herein.

3. Head 259 – District Secretariat, Kegalle

3.1 Non – maintenance of Registers and Books

The Inventory Register had not been updated by the Divisional Secretariat, Yatiyanthota in terms of the Financial Regulation 454 (1).

3.2 Non – compliance with Limits

The Minimum Limit of the Receipts of the Advances to Public Officers Account under the Item No.27901 in the Third Schedule of the Appropriation Act No.36 of 2013 had been shown as Rs.30,000,000. The actual receipts of the year under review amounted to Rs.29,838,113 and as such it was not reached up to the minimum Limit of Receipts by Rs.161,887.

3.3 Appropriation Account

Provisions made available by other Ministries and Departments

Even though the goods amounting to Rs.4,791,041 had been purchased for distribution among beneficiaries in the authority areas of Divisional Secretariat Divisions of Galigamuwa and Deraniyagala by utilizing the provisions made available by two Ministries under Head 105 and 120, those goods had not been distributed for beneficiaries even by February 2014.

3.4 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 150 deposits older than 2 years totalling Rs.89,801,535.

3.5 Reconciliation Statement of the Advances to Public Officer Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account Item No.27901.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs.3,069,438. Even though those outstanding balances remained over periods ranging from 01 year to 10 years, the follow – up action on the recovery of the outstanding balances had been at a weak level.
- (b) The deficiencies relating to the Advances to Public Officers Accounts of 06 Divisional Secretariats, such as non – maintenance of Registers of Debtors and Creditors, remaining differences between the CC 10 Loan Register and the Control Account, non- consideration of the 40 per cent of deduction limit when distress loans are paid contrary to the Section 3.5 of the Chapter XXIV of the Establishments Code and non- availability of loan cards in the personal files were observed.

3.6 Good Governance and Accountability

Internal Audit

Even though an Internal Audit Unit had been operated in the District Secretariat, an adequate internal audit had not been carried out relating to the acquiring of Capital Assets and Constructions of the District Secretariat.

3.7 Assets Management

The following deficiencies were observed during the course of audit test checks carried out relating to the Assets of the District Secretariat.

(a) Idle Assets

A Tailor Bowser and a Motor Bicycle received by the Divisional Secretariat, Aranayake under Japan Aids had remained idle even by July 2015.

(b) Assets given to External Parties

Even though a former Divisional Secretary of the Divisional Secretariat, Rambukkana had been transferred on 18 September 2012, the official quarters occupied by him and the inventory items had not been handed over even by 23 March 2015 and the arrears of house rent and the telephone charges as well had not been paid by him from the date of the transfer.

3.8 Non – compliances

Goods totalling Rs.531,878 had been purchased by the Divisional Secretariat, Rambukkana. A responsible officer had not certified that the entries had been made in the appropriate inventory or stock book to ensure whether the articles have been received to the stores in 03 instances in terms of the Financial Regulation 237 (b).

3.9 Implementation of Projects under Domestic Financing

Instances of projects abandoned without commencing, projects abandoned without completion and the project delays revealed during the course of audit test checks are given below.

(a) Projects Abandoned without Commencing

Eight projects which estimated cost amounting to Rs.8,867,000 scheduled to be completed in the year 2014 by the Divisional Secretariats, Deraniyagala and Yatiyanthota could not be commenced even by February 2015 due to non-designing the projects properly.

(b) Projects Abandoned without Completing

Even though the District Secretariat had commenced the following projects, those projects had been abandoned without being completed.

Project	Estimated Cost	Date of Commencement	Expenditure as at 31 December 2014	Reason for Abandoning
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	Rs.		Rs.	
Construction of new District Secretariat Kegalle	294,982,342	10.05.2011	62,139,332	Inefficiency of the contractor and non-availability of an adequate supervision
Construction of Weekly Fair Bulathkohupitiya	34,385,051	01.01.2014	854,978	

(c) Delays in Execution of Projects

The project for the construction of swimming pool in Sri Saman Vidyalaya, Deraniyagala which estimated cost amounting to Rs.14,694,160 scheduled to be completed in the year 2014 had not been completed even by March 2015 due to inefficiency of the contractor. A sum of Rs.7,573,770 had been incurred thereon by 31 December 2014.

(d) **Projects without Progress Despite the Release of Money**

Even though money had been released by the District Secretariat for under mentioned projects, no progress was shown from those projects.

- (i) According to the audit test check carried out, a sum of Rs.7,651,781 had been paid to the National Water Supply and Drainage Board to implement 05 projects. But the work of the 04 projects out of that had not been commenced even by March 2015. The pump station of one project had been constructed in a private land and it was observed that several items of work had not been executed.
- (ii) Even though a sum of Rs.12,030,451 had been paid to the State Engineering Corporation to construct Dippitya Weekly Fair Stage I and II by March 2015, the concrete columns of the building had been completed only up to ground level. A retaining wall which was not in the original estimate had been constructed by spending large amount of money. A revised plan had also not been prepared for Stage II and a sum of Rs.1,000,866 had been paid for additional work of the project. All work such as planning of the project, implementation and supervision had been executed by the State Engineering Corporation itself. As such the accuracy of the additional work had not been supervised by the District Secretariat.
- (iii) The construction works of the Thuththiripitiya Bus Stand consisting of 02 stories had been handed over to the State Engineering Corporation for an estimated value of Rs.24,440,263. Even though it should be completed on 31 August 2014, only structure of the building without the roof had been constructed by cement blocks. A feasibility study relating to the requirement of the bus stand had not been done and its constructions done in an area of without people was a matter of contentious nature. Even though a sum of Rs.175,661 had been paid for making the walls for width of 6” inches of the building, the walls had been made at the width of 4” inches. The cement blocks used and concrete columns constructed were

not at a proper standard. According to the approved building plan the extent of the ground floor should be 23625 mm x 9675 mm square metres. However, according to the physical examination it was 20800 mm x 8700 mm square metres.

(e) **Payments made for Non-execution of Works**

The following observations are made.

- (i) According to the physical examination carried out on 20 March 2015 relating to the work of the constructions of Crematorium, Bulathkohupitiya which estimated value amounting to Rs.21,469,815 and a sum of Rs.717,018 had been over paid for non- completion of works. According to the payment report, it was estimated to construct the walls of the building at the width of 6” inches. But the walls had been constructed at the width of 4” inches and a sum of Rs.150,738 had been paid for width of 6” inches.
- (ii) Shuttering planks could be used repeatedly when concreting roads and based on that possibility the payments should be made for 1/3 of the total length. However, Divisional Secretariat, Ruwanwella had paid a sum of Rs.356,573 for using of shuttering planks for 23 works based on the total length.
- (iii) In the examination of 22 works executed by the Divisional Secretariat Ruwanwella through Pradeshiya Sabha, it was observed that an estimations had been made to concrete all roads by using ABC mixture and a sum of Rs.785,981 had been paid. However, the ABC mixture had not been laid.

3.10 Transactions of Contentious Nature

A sum of Rs.392,000 had been paid to concrete Dickella Kanda Siripa Mawatha of the Divisional Secretariat Division, Deraniyagala on 29 December 2014. According to the physical examination carried out on 26 February 2015, it was observed that the road had been completed more than the expected length and the width, and the Technical Officer had expressed that it was carried out with the support of the small hydropower institute who are using this road. It could not be clearly identified the work extent executed by both external institute and the Divisional Secretariat as no entry had been made in the file relating to this.

3.11 Irregular Transactions

Certain transactions entered into by the District Secretariat were deviated from the procedure of Government Procurement Guidelines. Several such instances observed are given below.

- (a) Six computers, 03 Laptops and 06 UPS machines had been purchased by the District Secretariat by spending Rs.1,053,500 on 31 December 2013 based on the decision of the Procurement Committee dated 18 December 2013. Contrary to the Guideline 3.6.1 of the Government Procurement Guidelines the goods valued at 500 per cent of the original contract value, based on the above prices had been ordered as repeat orders and 30 Computers and UPS machines amounting to Rs.3,367,800 had been purchased on 31 December 2013. The operation system of the computers and the Hardware purchased had been at a lower level than the specifications furnished and a certificate had not been obtained in terms of Guideline 8.12.3 of the Government Procurement Guidelines that the goods supplied are in accordance with the specifications and other agreed terms and warranties, guarantees and manuals which have been agreed upon had been provided.

- (b) The required equipment had been purchased by spending Rs.15,522,895 on 31 December 2013 for maternity clinics which are being newly constructed and being improved in the Kegalle District, but those equipment had not been utilized even by 10 December 2014. The quotations had not been called from open market in inviting bids and it was mentioned as reasons for, non-availability of adequate time and the clinics had to be opened before 04 February 2014. The constructions of clinics had not been completed and opened even by 10 December 2014 and the equipment purchased had remained without being utilized and the liability period was at a nearing completion.

3.12 Transactions in the Nature of Financial Irregularities

A sum of Rs.1,950,839 had been spent for using tin sheets to cover the uncleaned walls of the trading stalls near the Fair of the Independence Avenue of Kegalle in which the 66th Independence Celebrations were held. In calling bids for this work action had been taken to award the contract to a contractor who had been selected in advance by using the names and addresses of the deceased persons and the relatives of the selected supplier who are not engaged in that industry. In calling bids it was informed that required sheets to cover the place shall be provided by the Divisional Secretariat and as such the additional expenditure totalling Rs.1,031,615 had to be paid by the District Secretariat to purchase those sheets and to pay charges for removing those sheets.

3.13 Losses and Damage

A cab vehicle of the Divisional Secretariat, Warakapola met with an accident on 24 June 2011 and the loss caused amounting to Rs.277,300. A sum of Rs.167,250 out of that had been received as insurance indemnity. In the court case of this accident, the driver of the vehicle who had driven behind the cab was the offender but legal action had not been taken to recover the loss of Rs.110,050 to be recovered further from the relevant party.

3.14 Uneconomic Transactions

The particulars of transactions entered into devoid of economy revealed during the course of test checks are given below.

- (a) An estimate of Rs.17,342,757 had been made to construct 3 buildings and a lavatory system at the Weekly Fair of Kithulgala and it was awarded to State Development and Construction Corporation to implement it before 25 December 2013. One building out of that only had been completed and the contract for constructing of other 2 buildings and the lavatory system including a retaining wall which was not in the original estimate dated 17 January 2014 had been awarded to another contractor at an estimate of Rs.33,072,352. A total sum of Rs.3,177,612 had been paid for work done and advisory service charges as at the date of audit. The retaining wall had not been constructed and no constructions had been made on the land filled. The land had not been used for any purpose as the weekly fair also had not been held in that place.
- (b) An agreement had been entered into with a contractual society at Rs.980,392 on 20 August 2012 for the constructions under Walpolagama, Drinking Water Scheme. A sum of Rs.882,328 had been paid to the contractual society on 31 March 2013. At the time of the physical examination carried out in March 2015 seven items of estimated works had been carried out without a proper standard and it was observed that 1 ½ ” water pipes laid from pumping station to water tank had broken in some places. The main objective of supply of drinking water to villagers had not been achieved due to the matters such as the electricity connection supplied to the pumping station was disconnected and the tank was opened without water. As such the expenditure of Rs.1,247,069 incurred with the community contribution had become a fruitless expenditure.

3.15 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i)	Senior Level	42	37	5	-
(ii)	Tertiary Level	30	22	8	-
(iii)	Secondary Level	1,037	1,007	32	2
(iv)	Primary Level	115	109	15	9
(v)	Others (Casual/ Temporary/ Contract Basis)	-	-	-	-
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	Total	1,224	1,175	60	11
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The following observations are made.

- (a) The approved cadre of the District Secretariat had not been revised after the year 1992.
- (b) There were eleven vacancies in 10 posts including essential posts such as A.O Supra Grade of Management Assistant Service, Development Co-ordinator, Translator, Draftsmen, Watchers and Sanitation Labourers in the Divisional Secretariat, Deraniyagala.