

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

1 Divisional Secretariats under the District Secretariat

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(a) Gangawata Korale	(h) Hatharaliyadda	(o) Yatinuwara
(b) Pathahewaheta	(i) Pujapitiya	(p) Udunuwara
(c) Delthota	(j) Tumpane	(q) Harispaththuwa
(d) Udapalatha	(k) Minipe	(r) Akurana
(e) Udadumbara	(l) Kundasale	(s) Medadumbara
(f) Pathadumbara	(m) Doluwa	(t) Pasbage Korale
(g) Panwila	(n) Ganaga Ihala Korale	

1:1 Scope of Audit

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The audit of the Appropriation Account and reconciliation statements including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Kandy 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 09 June 2015. 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 and the Accounting Officer for the Accounts and Reconciliation Statements

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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 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.

2 Accounts

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2.1 Appropriation Account

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(a) Total Provision and Expenditure

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The total net provision made for the District Secretariat amounted to Rs.926.57 million and out of that Rs.923.38 million had been utilized by the end of the year under review. Accordingly, a sum of Rs.3.19 million or 0.3 per cent of the net provision of the District Secretariat had been saved. Details appear below.

Expenditure	As at 31 December 2014			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Million	Rs. Million	Rs. Million	
Recurrent	823.47	820.38	3.09	0.38
Capital	103.10	103.00	0.10	0.10
<b>Total</b>	<b>926.57</b>	<b>923.38</b>	<b>3.19</b>	<b>0.34</b>
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(a) Utilization of Provision made available by other Ministries and Departments  
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Thirty Ministries and 21 Departments had made available provision totalling Rs.7,105.50 million comprising Rs.5,075.61 million and Rs.2,029.89 million respectively for various activities and out of such provision sums of Rs.4,702.00 million and Rs. 1,829.61 million respectively totalling Rs.6,531.61 million had been utilized. Accordingly, sums of Rs.373.61 million and Rs.200.28 million respectively totalling Rs. 573.89 million had been saved .

2.2 Advance Account  
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2.2.1 Advances to Public Officers' Account  
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Limits Authorized by Parliament  
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The limits authorized by Parliament for the Advances to Public Officers Account relating to the District Secretariat, Kandy and the actual values are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million
25801	70	69	51	58	240	202

2.3 Imprest Account  
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The balance of the District Secretariat, Kandy as at 31 December 2014 was Rs. 0.52 million.

2.4 General Deposit Account  
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The balance of the General Deposit Account of the District Secretariat as at 31 December 2014 totalled Rs.926 million.

## 2.5 Audit Observation

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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 herein, the Appropriation Account and the Reconciliation Statement of the District Secretariat, Kandy 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-258 District Secretariat, Kandy

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### 3.1 General Deposit Account

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Action in accordance with the Financial Regulation 571 had not been taken on the deposits totalling Rs.7,828,665 ( Other than the Land Deposits) older than 2 years of the District Secretariat, Kandy and 18 Divisional Secretariats.

### 3.2 Reconciliation Statement on the Advances to Public Officers Account

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The following deficiencies were observed during the course of audit test check carried out on the Reconciliation Statement as at 31 December 2014 on Advances to Public Officers Account bearing Item No.25801.

- (a) According to the reconciliation statement made available to audit, the balances that remained outstanding as at that date totalled Rs.2,977,969 and those outstanding balances had continued to exist over a period from 06 months to 5 years. The District Secretariat, Kandy had failed to recover those outstanding loan balances.
- (b) Action in terms of Sections 4.2.3, 4.2.5 and from 4.4 to 4.6 of Chapter XXIV of the Establishments Code had not been taken on loan balances totalling Rs.2,838,250 due from 38 deceased and retired officers in the Advances to Public Officers Account of the District Secretariat, Kandy and they had not been

recovered even as at 31 December 2014. These loan balances had related to the period from 01 February 2012 to 31 December 2014.

- (c) Action had not been taken to settle the loan balances totalling Rs.847,563 due from 9 officers who had transferred out and Rs.269,465 due to be settled in respect of 4 officers who had transferred in after taking action in terms of the National Budget Circular No.118 dated 11 October 2004.

### 3.3 Assets Management

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The following deficiencies were observed during the course of audit test check carried out on the assets of the District Secretariat.

- (a) Idle and Underutilized Assets

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According to the Inventory Register of the Gangawatakorale Divisional Secretariat, a projector (3m overhead projector 1700 series) purchased before the year 2009 had been kept in the stores without being utilized.

- (b) Unsettled Liabilities

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There was an unsettled liability balance of Rs.45,430 less than one year as at 31 December 2014 relating to the District Secretariat and Divisional Secretariats.

### 3.4 Non-compliance

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#### Non-compliance with Laws, Rules and Regulations

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The Ministry of Economic Development had attached 56 Development Officers to the Udapalatha Divisional secretariat. The Divisional Secretariat had employed those officers as Field Officers in 56 Grama Niladharees' Divisions and paid remunerations of Rs.17,058,096. Those officers had not prepared and got approved the advance programmes and also not updated files even by the month of November 2014, contrary to the Circular No.HAF/01/9 of the Various Districts Control Division.

### 3.5 Implementation of Projects under Domestic Financing

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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

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Two hundred and forty four projects the estimated amount of which totalled Rs.141,848,944 and planned to be implemented by the District Secretariat in 9 Divisional Secretariats had been abandoned without commencing.

#### (b) Projects abandoned without completing

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Although the District Secretariat had initiated 30 projects totalling Rs.52,104,251 in 03 Divisional Secretariats, those had been abandoned without being completed.

(c) Delays in the execution of Projects

Delays were observed in the implementation of 130 projects totalling Rs.167,713,656 in 05 Divisional Secretariats by the District Secretariat.

3.6 Deficiencies in operating Bank Accounts

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Action in terms of the Financial Regulation 396(d) had not been taken on cheques totalling Rs.384,291 issued but not present to the bank for payments according to the bank reconciliation statement prepared by the District Secretariat, Kandy for the month of December 2014.

3.7 Transactions of Contentious Nature

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The District Secretariat had entered into an agreement with a private security service for the supply of the security services. According to the said agreement it had been agreed to employ 08 security officers including the Chief Security Officer and pay a sum of Rs.149,600 per month for that purpose. Under a separate agreement entered into between the Pathadumbara Divisional Secretariat and that security firm, it had been agreed to provide security service to the Pathadumbara Divisional Secretariat as well. One officer from the security officers providing security services to the District Secretariat had been attached to the security service of the Pathadumbara Divisional Secretariat and the Divisional secretariat had made payments in that respect.

3.8 Irregular Transactions

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Certain transactions entered into by the District Secretariat had been deviated from the Government Procurement Guidelines. Details are given below.

- (a) The Doluwa Divisional Secretariat had selected contractors for the purchase of goods and services totalling Rs.684,795 through the Procurement Committees that had not consisted of the minimum number of members.
- (b) The Udapalatheya Divisional Secretariat had purchased supplies and services amounting to Rs.115,424 from the unregistered suppliers.
- (c) Deviating from the prior procurement process, the Udapalatheya Divisional Secretariat had made purchases valued at Rs.234,586.

- (d) Limited National Bids had been called for the electric fence proposed to be constructed so as to cover an area of 48 k.m. of the Divisional Secretary's Divisions of Minipe, Ududumbara, and Medadumbara of the District of Kandy. Two bidders had forwarded bids for the Lot No.1. The Procurement Committee had decided that one bidder had breached the conditions and therefore that bid had not been evaluated. Accordingly, the other bidder had been awarded the contract. However it was observed that the objectives specified in the Guideline 1.2.1 of the Government Procurement Guidelines had not been fulfilled in the above procurement process. Since there was no competitiveness for the procurement, the variation between the estimate and the bid was 27 per cent and as such the District Secretariat had incurred expenditure exceeding the estimate of the office by Rs.99,547.
- (e) Bids had been called for the purchase of a windscreen for a Cab of the Gangawatakorale Divisional Secretariat and having rejected those bids, the repair had been effected from another institute on the recommendation of the motor vehicle examiner. As such, the windscreen had been fixed exceeding the prices indicated in the bids by Rs.28,277.

### 3.9 Transactions of Financial Irregularly Nature

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For the development of Dunuvila Mahakele road of the Akurana Divisional Secretary's Division starting near the bridge, the contractor had submitted an expenditure report amounting to Rs.470,110 in respect of the work completed. The Technical Officer had recommended a payment of Rs.494,426 for that purpose. Further, the period of the agreement had ended on 23 July 2014, whereas only the bills to the value of Rs.381,710 in respect of purchasing construction materials had been submitted for the expenditure report relating to the period up to 14 August 2014.

### 3.10 Losses and Damages

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A Cab belonging to the Gangawatakorale Divisional Secretariat had met with an accident on a day between 30 May 2014 and 02 June 2014 and as a result the front windscreen



had been damaged. It had been repaired by spending Rs.156,959. After a sum of Rs.74,000 was reimbursed by the Insurance Company in this connection, a loss amounting to Rs.82,959 had been incurred during the year under review.

### 3.11 Unresolved Audit Paragraphs

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The reference to the paragraphs which had not been rectified by the District Secretariat out of the deficiencies pointed out by the audit paragraphs included in the Auditor General's reports relating to the District Secretariat is given below.

<b>Reference to the Audit Paragraphs</b>		<b>Referred Subject</b>
<b>Year</b>	<b>Paragraph No.</b>	
2012	4.9 (b)	Disciplinary action had not been taken against the persons responsible for the losses caused as a result of an accident caused to an office vehicle while being utilized for a private tour without an approval.
2010	4.9 (c)	-Do-

### 3.12 Management Inefficiencies

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The following deficiencies were observed during the course of audit test check.

- (a) The project for the supply of a glass of milk for the preschool children had not been implemented by 29 preschools out of 34 preschools in the Panvila Divisional Secretary's Division. Therefore, provisions amounting to Rs.392,595 out of the total provisions made had been saved by the end of the year. Accordingly, a nominal benefit such as 15 per cent only had been achieved from the project.
- (b) For the contract of erecting electric fence in three Divisional Secretary's Divisions of the Kandy District, an agreement had been entered into with a private company on 22 September 2014 with the condition of completing the contract within a period of month. The term of the agreement had been extended up to 16 February 2015 by the letter dated 06 February 2015, whereas the construction had not been completed even by 01 June 2015, the date of audit test check . Accordingly, action had not been taken to recover the liquidated damages of

Rs.148,824 at the rate of Rs.1,431 per day for 104 days that should be recovered according to the agreement. Further, action had also not been taken to recover the loss before the lapse of the validity of the performance bond.

### 3.13 Human Resources Management

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

The position relating to cadre as at 31 December 2014 is as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	70	65	05
(ii) Tertiary Level	51	34	17
(iii) Secondary Level	3,431	3,158	273
(iv) Primary Level	251	203	48
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<b>Total</b>	<b>3,803</b>	<b>3,460</b>	<b>343</b>
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The District Secretariat had not taken action to fill 343 vacancies by the end of the year under review.