

Report of the Auditor General on Head 155 – Ministry of Provincial Councils and Local Government–Year 2015

The audit of the Appropriation Account and the Reconciliation statements including the financial records, books, registers and other records of the Head 155-Ministry of Provincial Councils and Local Government for the year ended 31 December 2015 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 Secretary to the Ministry on 07 June 2016. 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.

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 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

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.298,435.06 million and out of that Rs.226,994.67 million had been utilized by the end of the year under review. Accordingly, the savings out of total net provisions of the Ministry amounted to Rs.71,440.39 million or 23.94 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	233,151.23	168,558.30	64,592.93	27.70
Capital	65,283.83	58,436.37	6,847.46	10.49
Total	298,435.06	226,994.67	71,440.39	23.94

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Ministry 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
15501	5.00	0.95	0.50	0.90	35.00	23.18

2.3 General Deposit Accounts

The balance of the 03 Deposit Accounts of the Ministry as at 31 December 2015 totalled Rs.67.64 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0002/0165/000	0.07
6000/0000/00/0016/0110/000	67.22
6000/0000/00/0018/0109/000	0.35
Total	<u>67.64</u>

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Provincial Councils and Local Government had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non – maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers.

Type of Registers -----	Relevant Regulation -----
(a) Register of Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.
(b) Register of Official Telephones	Financial Regulation 845(1)
(c) Register of Electrical Equipment	Financial Regulation 454(2)

3.2 Appropriation Account -----

3.2.1 Budgetary Variance -----

Excess provisions had been made for 71 Objects and as such the savings after the utilization of provisions ranged between 12 per cent to 100 per cent of the net provisions relating to the respective Objects.

3.2.2 Liabilities incurred exceeding the Provisions -----

The following observations are made.

- (a) The savings after the utilization of provisions made for 9 Objects totalled Rs.359,367 and the liabilities amounting to Rs.3,002,451 had been incurred exceeding that savings by Rs.2,643,084 as at the end of the year under review.
- (b) The liabilities had been Rs.69,995,400 as at 31 December 2014 while those liabilities had not been settled as the provisions were not made available to settle those liabilities in the year under review.
- (c) Even though the liabilities totalling Rs.1,728.46 million had been incurred for the Projects implemented according to the Budget proposals for the year 2013 and the Projects implemented by the Ministry of Economic Development, the provisions had not been made available to settle those liabilities.

3.3 Reconciliation Statement of the Advances to Public Officers Account -----

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No.15501 as at 31 December 2015, the balances that remained outstanding as at that date totalled Rs.1,083,773. Even though those outstanding balances remained over periods ranging from 06 months to 05 years, the Ministry had failed to recover those outstanding balances.

3.4 Foreign Aid Projects

The Ministry had implemented 13 projects under foreign financing loans in the year under review. According to the project agreements, the total net provisions amounted to Rs.25,753.15 million and a sum of Rs.23,691.63 million had been utilized for those projects in the year under review. The following observations are made on certain foreign funded projects audited as at 30 June 2015.

(a) **Greater Colombo Waste Water Management Project**

The contracts had been awarded for repairing of drainage lines of 10 Kilometers and to study the condition of the drainage lines of 125 Kilometers. According to the agreements of those contracts, the compressible strength of the Clay Pipes should be 75N/mm for as per the paragraph 6.3.10.11b(203) of the Bill of Quantities. At the examination made by the Engineers of the Colombo Municipal Council, it was reported nearly 1020 Clay Pipes with the compressible strength less than 75N/mm had been layed.

(b) **Provincial Road Development Project**

The following observations are made.

- (i) The construction works of Aranayake – Ambalakanda Road under the package of SG₂ KG₃ in Kegalle District for which the project period was completed by 23 December 2015, had been terminated by the contractor. The edges of the both sides of the carpeted road had begun to break in most of the places. Constructing of hard shoulders was included in the BOQ Items in this contract but it could not be completed within the provisions of the project loan. It was observed in audit, that the durability of the road could be improved by constructing of hard shoulders for these places. As the delay of awarding the contracts and the inefficiency of the contractor at the initial stage of the project, the constructions of the road could not be completed within the due period of the project. While the provisions of the loan could not be utilized for the objective of the project within the project period.
- (ii) Four Sections of the roads which completed unsuccessfully under stage I and II identified under stage III of the Project for of Provincial Roads of Central Province had been planned for Construction reconstruction and a sum of Rs.1.73 million had been paid out of the project funds to the National Building Research Organization for preparing engineering estimate in August 2015. At the time of the awarding contracts to construct these road sections, the contractors had furnished bids for 3 road sections totalling Rs.50.28 million. The constructions of the road section under package CP3 - 2 amounting to Rs.8.59 million had not been completed even at the time of the completion of the project.

- (iii) Asphalt Premix Paver Machine of type “Vogels” costing Rs.29.83 million had been purchased for Central Provincial Council on the proposals extraneous to the Approved Shopping List on 14 January 2014. It was revealed that, the machine had been deployed for the service only for 05 days by 22 December 2015. It was observed that, this machine with higher value had been idle since 02 years, and had to re-pay the foreign loan taken for this asset and the interest, and the above asset had remained idle due to non-availability of the required resources for the operation of the machine.
- (iv) Four Bitumen Sprayers machines with the capacity of 2000 litres for which provisions of Rs.12.00 million made as per the Approved Shopping List had not been purchased. Therefore the project funds could not be deployed for the relevant objective.

(c) Provincial Road Project (Co-ordinating Unit)

At the time nearly completion of the Provincial Road Project implemented under World Bank Loan Aids, 10 officers had participated for a training course held in China from 28 March to 04 April 2015 by spending Rs.12.94 million. That expenditure had been brought to account under Training in the accounting statements for the period ended 15 October 2015. The following observations are made in this connection.

- (i) In terms of paragraph 3 of the Circular No. 01/2010/1 of the Ministry of Finance and Planning dated 11 October 2010, per diem allowance of 50 Dollars could be obtained as outfit allowance for the officers go abroad on the programmes clearly related to the qualifications knowledge and skills development of an officer; Nevertheless 1600 Dollars (Rs.224,000) had been overpaid at the rate of 50 Dollars as per diem allowance contrary to that circular.
- (ii) Asian Institute of Technology (AIT) which is an education institution of Thailand had been selected for the above Training Course, and 55,000 Dollars had been paid to the Multiple Challenge Management International (MCMi) Institution by stating that, it is a Sri Lankan agent of the above institution. Similarly, it was revealed in audit relating to the matters such as that there is no such an institution on above address which mentioned in the invoice given by the MCMi Institution, such a course had not been conducted by the AIT Institution, Thailand during the above period, the sum of 55,000 Dollars had not been received by the AIT Institution, these officers had not participated for a training course in AIT Institution during this period and no any agreement between the AIT Institution and the MCMi Institution in Sri Lanka was made available.

(d) Northern Road Connectivity Project

The work of the 02 Road packages of NP2R and NP9 with 38.5 Kilometres in the Mannar District had not been completed even nearly half of the Road by 10 January 2016, the date expected to be completed. Its physical progress had remained at a weak position of 31 per cent and 25 per cent respectively.

(e) Northern Road Connectivity Project (Additional Provisions)

The following observations are made in this connection.

- (i) Contrary to the Management Services Circular No.33 of 05 April 2007, a sum of Rs.305,908 had been paid by the Project Implementation Unit of the North-Central Province for 03 officers of the North-Central Provincial Council in the year 2015 as 1/6 of their salaries as operation and supervision staff allowances for 03 posts which not included in the approved cadre, out of the project funds on the approval of the Governor.
- (ii) The physical progress of the one Road package of Kilinochchi District had remained at a weak level of 21 per cent. The contract for one Road of Mulatiuv District had been awarded after 2 ½ years from the commencement of the project. It was observed in the study of the progress reports as at 31 December 2015 the physical progress of the above Road had remained at a very weak level of one per cent.

(f) Transforming School Education System as the Foundation of knowledge Hub Project (TESP)

A sum of Rs.247,500 had been paid to 07 officers of the Operations and Management Assistance Unit of the Project as communication allowance which was not entitled by the project officers. In addition to that, the Dongel connections with the Internet facilities had been provided for those officers and the bills amounting to Rs.171,816 had been paid by the project for the period of 11 months.

3.5 Performance

The following matters were observed on the progress of the Ministry according to the Annual Action Plan for the year 2015.

(a) Key Functions not executed Adequately

Several instances of the key functions not executed and not executed adequately of the Ministry are given below.

(i) Solid Waste Management Assistance National Project

The following observations are made in this connection.

- The Physical progress of 04 projects had remained at Zero per cent and progress of 03 projects had remained at very weak level ranging from 20 per cent to 30 per cent by 31 December 2015.
- It was revealed at the examination of the progress report, that the expected expenditure for 05 projects through the Action Plan of the year 2015 amounting to Rs.29.20 million had been incurred by exceeding Rs.15.24 million.

(ii) Local Government Section

The following observations are made on the performance of the above Section.

- Even though a programme had been formulated under various subjects for each day for the “Local Government Week” fixed for the period from 07 to 13 September 2015 and sent to the Local Government Institutions through Commissioners of Local Government, that Project had not been in an operational level.
- Out of the provisions of Rs.15 million made in the year 2015 to hold competitions among Local Government Institutions, a sum of Rs.5.44 million only had been utilized. The competitions only had been held in 05 provinces and the provisions had been given for those provinces to implement the projects.

(iii) Development Section

The following deficiencies were revealed in an examination of the performance of the above Section.

- Thirty project works had been planned for Hakmana Town Development. Eighteen projects had been completed by spending Rs.18.72 million at the end of the year 2015 and 7 projects amounting to Rs.14.54 million had not been approved. Five projects had not been implemented.
- Out of 7 new projects for the Dehiovita Town Development, 3 projects amounting to Rs.34.56 million had not been approved while 2 projects had not been implemented.

- New 4 projects had been planned for Pallepola Town Development during the year 2015 while 3 projects amounting to Rs.35.5 million out of that had not been completed.
- A sum of Rs.84.82 million had been approved for the project of construction of Urban Facilities Providing Centre of the Beliatta Town Development, while that project had not been implemented.
- Fifteen projects had been approved for Akkaripattu Town Development. The progress of 3 projects out of that had remained at 20 per cent of a weak level while one project had not been implemented.
- Even though, provisions of Rs.54.52 million had been made for construction of new buildings of the Local Government Institutions of Northern and Eastern provinces, 05 projects out of that had not been commenced.
- Ten project works had been approved under National Development Programme. Four projects out of that, had not been completed by 31 December 2015, and its progress had remained at a weak level ranging from 20 per cent to 60 per cent.
- Under the Improvement of Emergency Response Recovery Network Programme, 08 continued works in the year 2014 had been approved and 06 projects out of that had not been completed even by 31 December 2015. Even though provisions of Rs.120 million had been made for projects including 04 continued projects in the year 2015 those projects had not been implemented.
- Provisions of Rs.1,400 million had been made for Pradeshiya Sabahs Strengthen Programme and a sum of Rs.855 million out that had been utilized, Even though a financial progress of 58 per cent had been shown as at 31 December 2015 for this programme, the particulars on the physical progress thereon had not been furnished.

3.6 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

(a) Purchase and Distribution of Smoke Machines

Twenty four Smoke Machines had been purchased for the Risky Medical Health Divisions which named as risky areas by the National Dengue Control Unit in June 2015 and again 11 Smoke Machines had been purchased in October 2015 and distributed. The goods received notes for 3 out of 24 machines given first and for 7 out of 11 machines given later had not been received by the Ministry even by May 2016.

(b) Purchase and Distribution of Compost Sieving Machines

Twenty Compost Sieving Machines had been purchased for Rs.6,682,640 in October 2015 with a guarantee period of 01 year and distributed for the Local Government Institutions which had commenced composts projects. Eight Local Government Institutions had not commenced those projects by using those machines even by end of May 2016. Four machines had been transferred to 4 other Local Government Institutions and those were in operational condition while 4 other machines had remained idle in same place even by 28 July 2016. It was observed in audit that those machines had been purchased and distributed without being identified the necessity.

3.7 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
	-----	-----	-----	-----	-----
(i)	Senior Level	35	25	10	-
(ii)	Tertiary Level	03	01	02	-
(iii)	Secondary Level	152	148	04	-
(iv)	Primary Level	55	75	-	20
(v)	Others (Casual/Temporary/Contract Basis)	-	01	-	01
		-----	-----	----	----
	Total	245	250	16	21
		====	====	==	==