

## Report of the Auditor General on Head 255 – District Secretariat, Colombo – Year 2015

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The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 255 – District Secretariat, Colombo 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 District Secretary on 11 July 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 Responsibilities 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.1,513.50 million and out of that Rs.1,281.26 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the District Secretariat, amounted to Rs.232.24 million or 15.34 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	688.70	678.72	9.98	1.45

Capital	824.80	602.54	222.26	26.95
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Total	<u>1,513.50</u>	<u>1,281.26</u>	<u>232.24</u>	15.34

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

Provisions totalling Rs.4,165.3 million had been made available by other 20 Ministries and 12 Departments for various activities for the District Secretariat. Out of that a sum of Rs.4,008.5 million had been utilized by the end of the year under review. Accordingly, the savings out of the provisions made, amounted to Rs.156.8 million or Rs.3.76 per cent.

**2.2 Advance Account**

**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, under Item No. 25501 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
47.39	39.29	34.00	38.50	200.00	155.53

**2.3 Imprest Account**

The balance of the Imprest Account No.70002/0000/00/0302/0015/000 of the District Secretariat as at 31 December 2015 amounted to Rs.574.3 million.

**2.4 General Deposit Accounts**

A debit balance of Rs.10.00 million had remained in the General Deposit Account No.6003/0000/00/0001/000 of the District Secretariat as at 31 December 2015 and the credit balances of other 8 accounts as at that date totalled Rs.543.48 million. Details are given below.

Deposit Account Number	Balance as at 31 December 2015
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	Rs.Millions
6000/0000/000/0001/0057/000	32.07
6000/0000/000/0017/0006/000	221.47
6000/0000/000/0013/0046/000	82.24
6000/0000/000/0016/0026/000	196.69
6000/0000/000/0018/0006/000	3.59
6000/0000/000/0019/0001/000	3.32
6000/0000/000/0020/0006/000	4.06
6000/0000/000/0002/0075/000	0.04
Total	<u>543.48</u>

## 2.5 Audit Observation

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The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the District Secretariat, Colombo 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

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### 3.1 Non-maintenance of Books and Records

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It was observed during audit test checks that the District Secretariat had not maintained and updated the following registers.

Type of Registers	Relevant Regulation
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(a) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978.
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.
(c) Register of Electrical Equipment	Financial Regulation 454(2)
(d) Register of Loans and Advances	Paragraph 09(1) of the Public Enterprises Circular No.96 dated 10 August 1994.

## **3.2 Appropriation Account**

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### **3.2.1 Budget Variance**

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Excess provisions had been made for 03 Objects, and as such the savings after the utilization of provisions ranged from 12 per cent to 28 per cent of the net provisions relating to the respective Objects.

### **3.2.2 Provisions made available by Other Ministries and Departments**

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The following observations are made.

- (a) Out of the provisions made available by 4 Ministries for the District Secretariat for various purposes, the savings after the utilization of provisions for respective purposes ranged from 33 per cent to 44 per cent.
- (b) Provisions of Rs.3,000,000 had been made available by the Ministry of Higher Education and Research on 28 April 2015, for the Divisional Secretariat, Padukka to construct Vidatha Centre Buildings. Provisions of Rs.1,588,938 had been saved without utilization the provisions to complete the constructions of the respective Centre buildings.
- (c) Even though the provisions of Rs.12,000,000 had been made available by the Department of Social Services for the construction of the Kitchen of Jayaviru Samadhi Institute, Puwakpitiya, the entire provisions had been saved without execution of the respective work.

## **3.3 General Deposit Account**

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The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on deposits older than 2 years amounting to Rs.3,490,894.
- (b) A sum of Rs.705,227 made available by other Ministries and Departments for the reimbursement of expenditure in the years 2014 and 2015 had been retained in the General Deposit Account without taking action either to settle the expenditure after executing the respective work or to return the savings to the respective institutions.

## **3.4 Reconciliation Statement of the Advances to Public Officers Account**

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The following matters were observed during the course of audit test checks of the Reconciliations Statement as at 31 December 2015 relating to the Advances to Public Officers Account, Under Item No.25501.

- (a) Even though the loan balances of Rs.3,793,447 out of the loan balances amounting to Rs.5,012,321 remained outstanding for a period ranging from 1 year to 21 years, as at 31 December 2015, the District Secretariat had failed to recover those balances even by 31 December 2015.
- (b) According to the Treasury Computer Print Out, the loan balance as at 31 December 2015 amounted to Rs.155,530,951, but and according to the books of the District Secretariat the loan balance had been Rs.154,350,069. Even though a difference of Rs.1,180,882 was revealed as at that date, the District Secretariat had failed to prepare a reconciliation and correct the sum of Rs.1,197,132 therefrom.

### **3.5 Good Governance and Accountability**

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#### **3.5.1 Annual Performance Report**

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In terms of the Public Finance Circular No.402 dated 12 September 2002, the Annual Performance Report should be tabled in Parliament by the District Secretariat within 150 days after the closure of the financial year. Nevertheless, the performance report had not been tabled in Parliament even by 14 June 2016.

#### **3.5.2 Internal Audit**

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Even though an internal audit unit had been functioning within the District Secretariat, an adequate internal audit had not been carried out.

### **3.6 Unsettled Liabilities**

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The unsettled liabilities of the District Secretariat less than one year old as at 31 December 2015, amounted to Rs.4,517,262. Even though the savings had been Rs.325,052 after the utilization of provisions made for 9 Objects, the liabilities amounting to Rs.2,345,081 had been incurred exceeding that savings by a sum of Rs.2,020,029.

### **3.7 Implementation of Projects under Domestic Financing**

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The following deficiencies were revealed during the course of audit test checks relating to the projects abandoned without commencing, projects abandoned without completion and delays in projects.

#### **(a) Projects abandoned without Commencing**

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Under the 1500 villages up grading programme of “Dorin Dorata Gamin Gamata” in concurrence with the 100 days Special Development Programme, 3 projects should have been implemented by the Divisional Secretariat, Kesbewa had not been commenced in

the year under review due to problems arisen relating to the land. Similarly, 2 projects totalling Rs.2,035,394 had not been implemented as the contractor had rejected the signing of the agreement due to time was insufficient.

**(b) Projects not commenced despite Agreements Entered into**  
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Provisions amounting to Rs.4,410,775 had been made available for 05 Projects proposed to be implemented under an estimated cost totalling Rs.5,099,321 in the year under review by the District Secretariat. These 5 projects had not been implemented due to the reasons such as in-adequacy of time, non-commencing the work by the contractor and the objections arisen relating to the places.

**(c) Projects abandoned without Completing**  
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Even though the following Projects had been commenced by the Divisional Secretariat, Kesbewa, those projects had been abandoned as the contractors had not completed the works according to the agreement and they have been black listed.

Project Number -----	Project -----	Estimated Value -----
		Rs.
HDP/KES/01	Construction of the Retaining wall about 300 metres of the drainage system of the Pubudu Mawatha and development of the drainage system.	1,051,640
HDP/KES/90	Development of the first floor of the Sri Seelananda Damma School building of the Sri Shilathalarama Purana Viharaya, Madapatha.	1,648,662

**3.8 Losses and Damages**  
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The observations on losses and damages observed during the course of audit test checks are given below.

- (a) A cab vehicle belonging to the District Secretariat had damaged due to met with an accident and remained since for over 10 years period. Action had not been taken either to recover or write off that loss in terms of the Financial Regulation even by the end of the year under review.
- (b) The losses and damages of Rs.92,641,003 and Rs.10,680 in respect of 5 instances remained less than 5 years and for a period ranging from 5 years to 10 years respectively had been shown in the Appropriation Account for the year under review. Action had not been taken either to recover or write off the losses in terms of the Financial Regulations even by 30 August 2016.

### 3.9 Management Weaknesses

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

- (a) It was observed that the Divisional Secretariat, Kesbewa had retained a sum of Rs.510,479 as General Deposits consisting of Rs.64,000 as unpaid Elders Living aids, Rs.37,000 as unpaid aids, Rs.32,300 as unpaid Samurdhi Authority allowances, Rs.329,175 as unpaid pensions and Rs.48,000 as unpaid deposits of the Mahinda Chinthana Programme by 31 December 2015 without taking action to return those for the respective institutions.
- (b) Action had not been taken by the Divisional Secretariat, Kesbewa to credit a sum of Rs.328,774 consisting of Rs.214,000 as third party deposits which deposited in the year 2011, Rs.10,000 as retention deposits in the year 2012 and Rs.104,774 as retention deposits in the year 2013 to the government revenue in terms of the Financial Regulations.

### 3.10 Human Resources Management

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#### Approved Cadre and Actual Cadre

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	50	46	04
(ii) Tertiary Level	27	19	08
(iii) Secondary Level	1,603	1,347	256
(iv) Primary Level	133	123	10
Total	<u>1,813</u>	<u>1,535</u>	<u>278</u>

The following observation is made.

Two hundred and Seventy eight vacancies had existed as at the end of the year under review and there were savings without utilization of the provisions according to the Appropriation Account prepared for the year under review. Nevertheless, the existing vacancies of the cadre had not affected to the savings. Accordingly an over estimation of the approved cadre was observed in audit.