

Report of the Auditor General on Head 258 – District Secretariat, Kandy- Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 258 –District Secretariat, Kandy for the year ended 31 December 2015, 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 had been issued to the District Secretary on 22 June 2016. The audit observations, comments and findings on 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 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

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, 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

(a) Total Provision and Expenditure

The total net provision made for the District Secretariat amounted to Rs.1,147.98 million and out of that, a sum of Rs.1,144.76 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.3.22 million and represented 0.28 per cent. Details are given below.

As at 31 December 2015

Expenditure	Net Provision	Utilization	Savings	Savings, as a Percentage of Net Provision
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	1,066.98	1066.79	0.19	0.02
Capital	81.00	77.97	3.03	3.74
Total	1,147.98	1,144.76	3.22	0.28

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

Provisions totalling Rs.4,925.43 million had been made available by 29 other Ministries and 17 Departments and out of that, a sum of Rs.4,271.17 million had been utilized by the end of the year under review. Accordingly, savings out of the provisions made amounted to Rs.654.26 million and represented 13.28 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 Item No.25801 relating to the Kandy District Secretariat and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
<u>Maximum</u>	<u>Actual</u>	<u>Minimum</u>	<u>Actual</u>	<u>Maximum</u>	<u>Actual</u>
<u>Limit</u>		<u>Limit</u>		<u>Limit</u>	
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
74.55	59.91	54.55	66.85	240.00	196.68

2.3 General Deposit Account

The balances of 6 Deposit Accounts under the Kandy District Secretariat as at 31 December 2015 totalled Rs.986.79 million. Details appear below.

<u>Deposit Account Number</u>	<u>Balance as at 31</u> <u>December 2015</u>
	Rs.Millions
6000/0000/00/0001/0044/000	0.24
6000/0000/00/0002/0059/000	0.88
6000/0000/00/0013/0025/000	47.36
6000/0000/00/0016/0006/000	795.74
6000/0000/00/0017/0001/000	131.44
6000/0000/00/0018/0007/000	3.60
6003/0000/00/0034/0000/000	7.53
Total	986.79

2.4 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0305/0015/000 under the Kandy District Secretariat as at 31 December 2015 amounted to Rs.411.93 million.

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Kandy District Secretariat have been prepared satisfactorily, subject to the audit observations appearing in the Management Audit Reports referred to in Paragraph 1.1 above. Out of the observations included in that Management Audit Report, the material and significant audit observations 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 Kandy District Secretariat had not maintained the following Registers.

Type of Register	Relevant Regulation	Observations
-----	-----	-----
(a) Record of Liabilities	Financial Regulation 214	Not maintained
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002	Not maintained by the Thumpane Divisional Secretariat
(c) Proper Registers relating to leasing out of lands and License Fees and proper Registers on mention of penalties thereon.	Circular No.2012/02 of the Commissioner General of Lands of 06 June 2012	Not maintained by the Gangawata Korale Divisional Secretariat.

3.2 Appropriation Account

3.2.1 Budgetary Variance

The entire net provision amounting to Rs. 300,000 made for 2 Objects had been saved.

3.2.2 Provision made available by other Ministries and Departments

The observations revealed during the utilization of provisions made available by other Ministries and Departments are as follows.

- (a) The Hiyandala Community Hall had been built on an estimate of Rs.1,000,000 under the “Dorin Dorata Gamin Gamata” Programme of the Thumpane Divisional Secretariat in the year 2015. The following deficiencies were observed in the physical verification carried out thereon.
 - (i) Timber of proper standard had not been used for the two doors fixed and as such, there were cracks in both doors.
 - (ii) The key locks had not functioned due to the contraction of timber in the doors. As such, two padlocks had been fixed.
 - (iii) There were cracks in three places of the 37 feet long wall plate of this hall. Two hundred and twenty two feet of 2x2 feet timber used for the roof was less (2x1 ½) in size than the specified size. A sum of Rs.18,334 had been spent thereon.
 - (iv) Cracks existed in three windows/frames.

- (b) The road which runs besides the Hansagiri Bakery at Putuhapuwa, estimated for Rs.400,000 continued to the year 2015 under the “Ek Gamakata Ek Wedak” Project of the Medadumbara Divisional Secretariat, had been developed. The following observations are made in this connection.
 - (i) The development activities of the road had been discontinued as a villager had protested that his house could be damaged due to deep slopes of the road.
 - (ii) The culverts at the bottom of the road had not been built according to the requirements of the road.
 - (iii) Receipt of social benefits had been delayed due to commencement of projects without proper studying.

- (c) The works of development of the Galkotuwa Multipurpose Centre of the Medadumbara Divisional Secretariat implemented by a sum of Rs.500,000 under “Ek Gamakata Ek Wedak” had been discontinued by 19 November 2015. As such, works of plastering of walls, fixing of doors and windows had not been completed. As a result, the contribution due from this project for the development of the society had not been received.

3.3 Imprest Account

The following observations are made.

- (a) The advances given in 8 instances for the implementation of various programmes of the Doluwa Divisional Secretariat had been issued before a period ranging from 4 to 7 days of the commencement of work. As such, the advances obtained had been retained in hand of those officers during the said period.

- (b) Even though ad hoc sub-imprest should be settled within 10 days after the completion of the purpose for which it was granted, in terms of Financial Regulation 371(5) amended by the Public Finance Circular No.3/2015 of 14 July 2015, the ad hoc sub imprests totalling

Rs.421,140 given to the Divisional Secretariats of Udapalatha, Kundasale, Ududumbara, Pathadumbara. Medadumbara and Doluwa relating to 52 instances had been settled with a delay of a period ranging from 10 days to 2 ½ months after the completion of the purpose.

3.4 General Deposit Account

The following observations are made.

- (a) Action had not been taken in terms of Financial Regulation 571 in respect of deposits totalling Rs.285,300,654 (except land deposits) older than 2 years of the District Secretariat and 13 Divisional Secretariats.
- (b) Action had not been taken in terms of Financial Regulation 570 in respect of 07 deposits totaling Rs.983,373 on land requests older than 10 years of the Udapalatha Divisional Secretariat.
- (c) Out of the amount payable to the contractor in terms of agreements for construction of the Medadumbara Divisional Secretariat, a total of Rs.358,482 had been retained in the Deposits Account in 16 instances. Even though the period of the deposits had lapsed by 31 December 2015, action had not been taken to settle those deposits.

3.5 Reconciliation Statement on Advances to Public Officers Account

The outstanding balances in terms of Reconciliation Statement on Advances to Public Officers Account Item No.25801 as at 31 December 2015 totalled Rs.5,223,088 and even though those outstanding balances had remained from a period ranging from 6 months to 13 years, the follow up action on the recovery of those outstanding loan balances had been at a weak level. The District Secretary had informed that a sum of Rs.3,521,038 out of that balance had been recovered by 30 July 2016.

3.6 Unsettled Liabilities

The unsettled liabilities as at 31 December 2015 of the District Secretariat and the Divisional Secretariats remaining from a period less than one year totalled Rs. 1,459,655.

3.7 Non-compliances

Non-compliance with Laws, Rules and Regulations

It was observed that 17 persons of 03 Grama Sewa Divisions are encroaching on State lands due to failure in taking action on the instructions indicated in the Order 180 of the Government Land Procedure for prevention of encroachments of State lands located in the Gangawata Korale Divisional Secretariat Division.

3.8 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

Works of 30 projects to the estimated/approved values totalling Rs.21.53 million had been abandoned without commencing by the following 09 Divisional Secretariats under the District Secretariat.

Divisional Secretariat	Number of Projects	Estimated/Approved Value	Reasons for abandoning
-----	-----	-----	-----
		Rs.Millions	
(i) Yatinuwara	05	2.23	Damage to a house, land disputes, inadequate pressure in the water supply and transfer of a Technical Officer.
(ii) Delthota	09	1.76	Out of the provisions made for the District of Kandy under the Divineguma Development Investment Programme, a sum of Rs.01 million had been taken over by the Ministry.
(iii) Pasbage Korale	01	5.59	A dispute between the contractor, the Engineer of the Local Authority and the Consultant on the raw materials to be used.
(iv) Pahathahewahata	02	1.00	Inadequacy of time
(v) Udunuwara	03	2.36	Failure in obtaining approval for getting the land, delay in the activities of vesting as a land with common ownership and failure in presenting the contractor to implement the Project.
(vi) Medadumbara	06	3.15	Cancellation due to failure in obtaining approval from the Ministry of Plantation Industries, inadequacy of time, unfavourable weather and non-commencement of work by 19 November 2015.
(vii) Poojapitiya	02	1.23	Rainy weather condition and inadequacy of time.

(viii)	Ganga Korale	Ihala	03	1.70	Unfavourable weather, existence of an estate with private ownership and inadequacy of provisions in commencing the Project.
(ix)	Ganga Korale	Wata	05	2.51	Failure in obtaining approval from the Housing Development Authority, notification by the Urban Council that a project cannot be commenced, unfavourable weather and notification by a Pradeshiya Sabha that two projects cannot be implemented.
Total			30	21.53	

(b) Projects abandoned without completing

Even though a sum of Rs.1.13 million had been spent for 05 projects out of 15 projects the estimated value of which was Rs.26.74 million, implemented by the following Divisional Secretariats under the District Secretariat, those projects had been abandoned without completing.

Divisional Secretariat	Number of Projects implemented	Estimated Value	Expenditure up to 31.12.2015	Reasons for abandoning
-----	-----	-----	-----	-----
		Rs.	Rs.	
(i) Kundasale	01	490,000	250,000	Heavy rain
(ii) Pasbage Korale	01	4,219,000	-	Problems on raw materials
(iii) Medadumbara	02	784,000	-	Receiving a Restraining Order in respect of constructions.
(iv) Poojapitiya	03	1,960,000	714,280	Rainy weather
(v) Ganga Korale	Ihala 03	10,350,000	-	The Project was continued from 2014, non-implementation of the final phase and the relevant land was not owned by the Government. As such, non-payment for projects until it is vested.

(vi) Ududumbara	01	7,071,416	170,507	Non-completion of the Project by the contractor.
(vii) Udunuwara	04	1,862,000	-	Protests against a project, inadequacy of provisions in completing the balance work of the Project, implementation of one project from funds of Pradeshiya Sabhas and non-implementation of the Project according to the estimate.
Total	15	26,736,416	1,134,787	

(c) Delays in the execution of Projects

Even though a sum of Rs.19.58 million had been spent for 08 projects, out of 13 projects the estimated value of which was Rs.48.59 million, implemented by the following 03 Divisional Secretariats under the District Secretariat, delays in completion of those projects were observed even by the end of the year under review.

Divisional Secretariat	Number of Projects	Estimated Value	Expenditure up to 31.12.2015	Reasons for Delay
		Rs.Millions	Rs. Millions	
(i) Harispattuwa	01	30.45	11.85	Heavy rain
(ii) Akurana	05	3.24	-	Inability of supplying goods ordered by suppliers relating to 4 projects. Inability of getting the support of the church, which is the beneficiary of one project.
(iii) Pathahewahata	07	14.90	7.73	Heavy rain
Total	13	48.59	19.58	

3.9 Deficiencies in the Operation of Bank Accounts

Adjustable Balances

Action had not been taken in terms of Financial Regulation 396 (d) even by the end of the year under review in respect of expired cheques valued at Rs.383,722 issued but not presented to the bank shown in the Bank Reconciliation Statements prepared by the District Secretariat of Kandy for December 2015.

3.10 Irregular Transactions

Twenty five Field Officers engaged in public service in the District of Kandy had acted in the capacity of people's representatives and obtained two motor cycles each. Accordingly, the Government had incurred an additional expenditure of Rs.4,873,000 for 25 motor cycles at the rate of Rs.194,920 per motor cycle.

3.11 Losses and Damage

The officers who are entitled for motor cycles should pay back the total value of the motor cycle in leaving the service for another employment, for which there was no such entitlement. Nevertheless, 04 officers who were in the service of the Divisional Secretariat of Gangawata Korale under the Ministry of Economic Development had left on being appointed as teachers in the Central Province and had not paid back the total value of the motor cycles. As such, a sum of Rs.846,807 for 04 scooters had not been recovered.

3.12 Uneconomic Transactions

A sum of Rs.50,000 had been spent by the Nikathenna Water Tank Development Project continued to the year 2015 commenced under the decentralized funds of the Divisional Secretariat of Panwila in the year 2014 for preventing the water leak of the water tank. According to the spot test carried out on 14 February 2016, it was observed that the water leak had existed even after the development of the water tank.

3.13 Unresolved Audit Paragraphs

Reference to the paragraphs relating to the District Secretariat 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.

Reference to the Auditor General's Reports		Referred Subject
Year	Paragraph No.	
2010	4.10 (i)	A loss of Rs.246,260 had been sustained due to an accident occurred on 26 January 2009 to a motor vehicle owned by the District Secretariat, Kandy. Even though a full report should be submitted within three months of the accident in terms of Financial Regulation 104 (4), that report had not been submitted even after a lapse of 2 years of the accident.
2010	4.10 (v)	Even though it had been decided that the Divisional Secretary of Ganga Ihala Korale should be responsible in respect of the loss of Rs.360,435 occurred due to a motor vehicle accident in the year 2008, that loss had not been recovered.

3.14 Management Weaknesses

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

- (a) Even though it is important for the Divisional Secretary to work closely with the public in divisional administration as well as to reside in the official quarters in providing solutions to their problems, the Divisional Secretaries of Thumpane and Panwila had not resided in those quarters. The money spent on the construction of these quarters had become a fruitless expenditure as the official quarters had not been resided in.
- (b) The official motor vehicle bearing No.CPPD-4379 belonging to the Divisional Secretariat of Thumpane had come down and an accident had occurred on 14 December 2015 while being parked, and it was reported that this accident had occurred due to the negligence of the driver and failure in following proper security methods. The damage occurred to the motor vehicle had been computed as Rs.374,367 and action had not been taken to repair it even by 08 March 2016.
- (c) Two encroachers are occupying a total of 20.52 perches of land in extent, as 7.14 perches and 13.38 perches respectively on the land named 'Prospect Nill' belonging to the Government in the area of authority of the Divisional Secretariat of Gangawata Korale and the Secretariat had failed in the recovery of its possession.
- (d) The University of Peradeniya had claimed ownership for the land named 'Prospect Nill' selected to be distributed among families displaced by landslides in the area of authority of the Divisional Secretariat of Gangawata Korale. As such, lands could not be provided to the families in distress.
- (e) The lease right in respect of granting of Lot Number 03 relating to Plan No.P.P.A.1454 belonging to the Grama Niladhari Division of Watapuluwa in Kandy in the area of authority of the Divisional Secretariat of Gangawata Korale to 13 members of a Welfare

Society, had been cancelled by Letter No.4/10/23359 of 05 August 2014 of the Commissioner General of Lands. The Secretariat had not taken action to recover the possession of that land even by 11 March 2016.

As such, the persons who were involved in obtaining blocks of land had filed a case in the Court of Appeal against the cancellation of leasing out lands and action had been taken to come to a settlement by proposing to return the blocks of land to the petitioners without considering the matters which caused the “cancellation of the approval of leasing out lands” in that case.

- (f) According to the report presented for audit by the Divisional Secretariat of Gangawata Korale, the outstanding land permit fee in the year 2015 had been shown as Rs.265,199. Nevertheless, according to the computations carried out during the course of audit, a sum of Rs.946,501 was recoverable from 43 lessees in 12 divisions.
- (g) It was observed at the examination carried out on several selected files relating to long term lease permits of the Divisional Secretariat of Gangawata Korale that a total of Rs.269,485 comprising arrears of Rs.69,485 on installments relating to 02 Files (Permits) and Rs.200,000 as interest on non-recovery of money within the due period should have been receivable to the Government. However, the Secretariat had failed to recover that money.
- (h) The block of land bearing Lot Number 33 of ඉ.පි.මඹ 5253 of 20 perches in extent of the village of Pallekele in the Gramaniladhari Division of Kundasale North had been distributed among officers of the Sri Lanka Administrative Service Association and the lease rent should be paid continuously. Even though the agreement should be automatically terminated in the instances where payment of lease rent is evaded, the lease rent of Rs.68,160 for 7 years had not been recovered even by 02 December 2015 from a female officer who had obtained a block of land. Action had not been taken to terminate the lease agreement and to take over the land according to Section (i) of the Gazette Notification issued on 04 July 2004.
- (i) Arrears of lease revenue amounting to Rs.77,456 had not been recovered by the Divisional Secretariat of Gangawata Korale from 5 lessees for whom lands had been given on long term lease basis. No reports or books and records thereon had been in the possession of the Divisional Secretariat. Moreover, action had not been taken to recover the arrears of lease revenue.
- (j) A penalty interest of Rs.49,850 representing 10 per cent had not been charged from 03 lessees of the Divisional Secretariat of Gangawata Korale who had not paid lease amounts on the due date.
- (k) A permit fee of 1.15 per cent of the value of property should be charged for the certificates of value issued by the Divisional Secretariat in terms of paragraph 11.4 (v) of the Divisional Secretariat Service Guidelines issued by the Ministry of Public Administration and Home Affairs and the National Administration Reforms Council. However, the Divisional Secretariat of Gangawata Korale had charged only 1 per cent of the value of property in the years 2014 and 2015 and up to March in 2016. As such, the Government had been deprived of a revenue of Rs.39,558.

3.15 Human Resources Management

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

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	70	65	05
(ii) Tertiary Level	51	31	20
(iii) Secondary Level	2,055	1,866	189
(iv) Primary Level	243	208	35
	-----	-----	-----
Total	2,419	2,170	249
	=====	=====	=====