

Head 255 –District Secretariat, Colombo

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Colombo for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the District Secretariat, Colombo was issued to the Accounting Officer on 19 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the District Secretariat, Colombo was issued on 04 September 2020 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements prepared in terms of provisions of the State Accounts Circular No.271/2019 of 03 December 2019, give a true and fair view of the financial position of the District Secretariat, Colombo as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the District Secretariat is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the District Secretariat, Colombo.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the District Secretariat and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Secretariat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer and the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

As required by Sub-section 6(1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) that the financial statements are consistent with the preceding year,
- (b) that the recommendations made by me on financial statements of the preceding year had been implemented in the presentation of financial statements of the year under review,

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) According to the Statement of Financial Position (ACA-6), the value of non-financial assets such as property, plant and equipment as at 31 December 2019 had been Rs. 8,149,483,260 whilst according to the Treasury Assets Accounting Report (SA 82), the said value had been Rs. 8,407,376,732, thus indicating a difference of Rs. 257,893,472 between balances. In terms of provisions of paragraph 3.8 of the State Accounts Circular No.269/2019 of 15 October 2019, steps had not been taken to reconcile and rectify the differences and discrepancies of the said balances.	Steps should be taken in terms of provisions of paragraph 3.8 of the State Accounts Circular No.269/2019 of 15 October 2019 to rectify by reconciling the differences of balances.	These differences have been identified and as time was inadequate to rectify the Treasury Accounts Report – 2019, it had attributed to the said differences. However, those differences have been already rectified.

(b) A sum of Rs.7,662,169,394 had been indicated as the opening balance as at 01 January 2019 in the Statement of Non-financial Assets (ACA-6) instead of the value of non-financial assets as at 31 December 2018 totalling Rs.6,392,122,276 which should be brought forward as the opening balance as at 01 January 2019, thus observing an overstatement of Rs. 1,270,047,118 in accounts in recording the closing balance as the opening balance. The value of non-financial assets omitted from accounts of the preceding year had been shown by adding to the opening balance of the year 2019, thus resulting in an increase in the opening balance.

(c) Even though the value of non-financial assets such as furniture and office equipment and machinery and equipment purchased during the year 2019 under Capital Objects 2102 and 2103, totalled Rs. 53,395,032, only a sum of Rs. 28,936,839 had been recorded in the Statement of Non-financial Assets (ACA-6). Accordingly, non-financial assets valued at Rs. 24,458,193 purchased during the year 2019 had been understated in the financial statements.

According to the Generally Accepted Accounting Principles, action should be taken to account the value of non-financial assets which were omitted from financial statements and to correct balances in accounts in the year under review.

Transfer of furniture legally, which were purchased for the Ministry of Home Affairs under the capital provision allocated to the District Secretariat, to the Ministry under a proper authority or appropriate action should be taken to settle the understatement of non-financial assets in the financial statements.

It is pointed out that instructions given for entering opening balances into the CIGAS Programme by which state accounts are prepared, is attributed to make a difference between the balance of the statement of financial position and the balance of the Treasury Accounts Report relating to the balance of property, plant and equipment. It should be corrected by inserting a separate column for entering opening balances of the current year to the CIGAS Programme and it is further pointed out that it should be done by the Department of State Accounts by updating the CIGAS Programme.

Purchases under Objects 2102 and 2103 made relating to the year 2019 had been Rs. 42,946,705 and Rs. 10,448,327 respectively. Accordingly, it is pointed out that the value of furniture of Rs. 24,458,193, purchased by the Ministry of Home Affairs by utilizing provision of Rs. 200,000,000 allocated to the Ministry for the purchase of furniture, included in the said relevant value totalling Rs. 53,395,032, is the difference relating thereto. Moreover, it is pointed out that the Ministry of Home Affairs should enter those assets in accounts as opening balances in their financial statements.

(d) According to Treasury Books (SA32), only a sum of Rs. 18,745,033 had been brought to account as the total value of furniture and office equipment and machinery and equipment purchased during the year 2019. Moreover, action had not been taken to settle by reconciling the difference of Rs. 34,649,999 between the value of non-financial assets of Rs. 53,395,032 according to balances of Departmental accounts and the balances of Treasury accounts.

Action should be taken to reconcile and settle the difference between departmental accounts and balances of Treasury accounts relating to the value of non-financial assets.

It is accepted that according to the Treasury Accounts Report-2019 (SA 82), only a sum of Rs. 18,745,033 had been brought to account as the total value of furniture and office equipment and machinery and equipment purchased during the year. The reason for the said difference as well had been pointed out on page 121 of the financial statement-2019 and the reason for the said difference had been explained under paragraph (a) above.

1.6.2 Deposit Accounts Balances

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Even though over a period of 05 years had elapsed for the debit balance of Rs. 10,000,000 as at 31 December 2019 in the old General Deposit Account bearing No. 6003/0/0/001/0/000/0 of the Statement of Deposit Accounts (ACA-4), action had not been taken in terms of provisions of paragraph 3.7 of the State Accounts Circular No. 269/2019 to settle it. Even though it had been indicated in the Statement of Deposit Accounts that the Committee appointed to inquire regarding the error occurred by a transfer paper, has recommended to write-off the said balance, adequate steps had not been taken to settle the said balance.</p>	<p>It should be settled in terms of provisions of paragraph 3.7 of the State Accounts Circular No.269/2019 and adequate and expeditious measures should be taken therefor.</p>	<p>The Secretary of the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government and the Ministry of Finance have been informed by the Letters No. DIST.CMB/ACC/08/Deposit dated 31 December 2018 and 17 May 2019 for the implementation of recommendations included in the report of the Committee appointed as per the recommendations of the Committee on Public Accounts. All measures to be taken at the District Secretariat level have been taken in an adequate manner.</p>

1.6.3 Non-maintenance of Registers, Books and Records

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) In terms of the Financial Regulation 214, a Record of Liabilities had not been maintained in an updated manner.	In terms of the Financial Regulation 214, Records of Liabilities should be maintained in an updated manner so as to examine regularly.	Those Records are maintained by the District Secretariat and 13 Divisional Secretariats and in case of any shortcomings in updating, action has been taken to give instructions to relevant officers to rectify them.
(b) In terms of the Financial Regulation 420, an Ad-hoc Sub-imprest Advance Ledger had not been properly maintained.	Proper maintenance of the Ad-hoc Sub-imprest Advance Ledger in terms of the Financial Regulation 420.	- Do -
(c) In terms of the Financial Regulation 452(1), the Audit Query Register had not been maintained in an updated manner.	In terms of the Financial Regulation 452(1), the Audit Query Register should be maintained in an updated manner	- Do -
(d) In terms of the Financial Regulation 454(2), an Inventory on Electrical Fittings had not been maintained.	In terms of the Financial Regulation 454(2), an Inventory of all Electrical Fittings, Apparatus etc., in Government Buildings, should be maintained.	- Do -
(e) The Personal Emoluments Register had not been maintained in terms of the Financial Regulation 453.	In terms of the Financial Regulation 453, a Personal Emoluments Register should be maintained in Form Treasury and Audit 17.	- Do -

(f)	In terms of the Financial Regulation 891(i), the Security Register had not been maintained in an updated manner.	The Security Register should be maintained in an updated manner so as to include information stipulated in the Financial Regulation 891 (i).	- Do -
(g)	Vehicle Log Books had not been maintained in an updated manner in terms of Financial Regulation 1645 (a)	In terms of provisions in Financial Regulations, Vehicle Log Books relating to every motor vehicle should be maintained in an updated manner as per of Form General 267.	-do-
(h)	In terms of Financial Regulation 1647 (d), a Fuel Register had not been maintained in an updated manner.	A Fuel Register should be maintained in an updated manner in terms of Financial Regulations.	-do-
(i)	A Vehicle Listing Register had not been maintained in terms of Financial Regulations 1647 (e).	A Vehicle Listing Register should be maintained in terms of Financial Regulations.	-do-

1.6.4 Responsibilities of the Accounting Officer

Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of provisions in Section 38 of the National Audit Act, No. 19 of 2018, the Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the District	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.	It is kindly informed that necessary steps will be taken in terms of Section 38 of the National Audit Act, No.19 of 2018, relating to measures taken to prepare an effective internal control system for the financial

Secretariat and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out. Further, the said reviews shall be in writing and a copy of the same shall be made available to the Auditor General. However, no statements had been made available to the Auditor General as to whether such reviews had been carried out.

control after frequent discussions at Divisional Secretariat conferences, Audit and Management Committee meetings and meetings of staff officers. Action will be taken to instruct the Internal Auditor to prepare reports on reviews thereon and to make them available to the Auditor General.

2. Financial Review

2.1 Management of Imprests

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) In the analysis on applying for monthly imprests and receipts of imprests of the District Secretariat in the year under review, the imprests received had been less by Rs.17,891,180,832 than the total imprests applied for during the year and the percentage of imprests not received as compared with the imprests applied monthly from the Treasury had been ranging from 31 per cent to 89 per cent.</p>	<p>Action should be taken to plan imprest applications and to obtain adequate imprests.</p>	<p>Agreed with your observations.</p>
<p>(b) Instances were observed in which provisions made by Parliament could not be utilized.</p>	<p>Adequate imprests should be obtained and the provisions allocated should be utilized to the maximum.</p>	<p>It is indicated that difficulties in such utilization arose due to revisions made in the financial policies of the Government in the year 2019 by the Ministry of Finance.</p>

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The net provision made for the 03 Capital Objects bearing Nos. 2003, 2102 and 2104 totalled Rs.1,467.70 million while the net expenditure totalled Rs.693.89 million. Accordingly, the provisions totalling Rs.773.81 had been saved and the percentage of savings relating to Objects stood at 41 per cent, 81 per cent and 47 per cent respectively. Moreover, in terms of provisions in National Budget Circular Nos.04/2019 and 5/2019 of 17 June 2019 and 24 September 2019 respectively, savings relating to Objects through management of expenditure had been indicated as reasons for savings in the statement of expenditure (ACA.2(II)). Nevertheless, compulsory savings for capital expenditure should be made by the above circular provisions only for 25 per cent of provisions allocated.	Speedy action should be taken to prepare complete and accurate estimates in terms of provisions in Financial Regulation 50 and to complete construction projects by utilizing allocated provisions.	Provisions had been made for the year 2019 by taking into consideration the notifications of consultancy firms for completing constructions of the District Secretariat Complex as at 31 December 2019 and to complete the constructions of the Homagama Divisional Secretariat by awarding of contracts again. However, constructions had not been duly carried out and as such, savings of provisions were indicated under ACA 02 (ii) in the financial statements.
(b) The net provisions made for the Objects of building constructions (2001), improvements to machinery and equipment (2002) and purchase of machinery and equipment (2103) under capital expenditure amounted to Rs. 6,000,000, Rs. 3,500,000 and Rs. 12,000,000 respectively and the net expenditure amounted to Rs. 5,711,872, Rs. 3,491,170 and Rs. 10,448,327 respectively. Accordingly, the savings were Rs.288,128, Rs.8,830 and Rs.1,551,673 respectively, representing 4.8 per cent, 0.25 per cent and 12.93 per cent of the net	Action should be taken to make compulsory savings out of allocated provisions and to manage capital expenditure as per circular provisions.	In terms of provisions in relevant National Budget Circular Nos. 04/2019 and 05/2019, it is mentioned therein that 25 per cent of the total capital expenditure should be saved while managing recurrent expenditure. As such, it is kindly informed that action has been taken accordingly.

provisions. As such, it was observed that 25 per cent of the provisions allocated for capital expenditure as per the provisions in National Budget Circular Nos.04/2019 and 5/2019, had not been saved.

(c) Additions and deductions of provisions of Rs.216,825,000 had been made through transfers in terms of Financial Regulations for 18 Objects and additional provisions of Rs.25,375,000 had been made for 03 Objects through supplementary estimates and thereby revising the provisions in the original estimates. As such, it was observed that the original estimates for the year 2019 had not been prepared accurately with proper planning.

(d) Provisions of Rs.1,250 million and Rs.188 million had been made respectively for constructing the Colombo District Secretariat Complex and the Homagama Divisional Secretariat Building under Object Code 2104 – Buildings and Constructions. A sum of Rs.200 million of those provisions had been deducted through transfer in terms of Financial Regulation 66. The total value of bills submitted for payment of constructions of the District Secretariat Building Complex amounted to Rs. 698.86 (payments of Rs.648.75 million and liabilities of Rs.50.11million). The constructions of the Homagama Divisional Secretariat building had been abandoned half way in the year 2017 and there is no readiness to commence it even up to now. As such, no expenses had been incurred therefor. Accordingly, it was observed that provisions of Rs.739.14 million had been overestimated.

Action should be taken to prepare estimates of expenditure accurately with proper planning as much as possible in terms of Financial Regulation 50.

Preparation of actual estimate of expenditure in terms of provisions of the Financial Regulation 50 for making provisions adequate for capital expenditure which should be incurred in the year under review for construction contracts and responsibility should be taken not to make improper provisions so as to incur capital expenditure of another Expenditure Head by aforesaid allocated capital provisions.

It is kindly indicated that provisions have been transferred and additional provisions have been made in terms of Financial Regulations due to being restricted to the ceilings set for recurrent and capital expenditure allocated to us in the current preparation of budget estimates and non-receipt of provisions according to Objects for which they are applied.

A Cabinet Paper had been submitted again according to a Cabinet Decision for constructions of the Homagama Divisional Secretariat. However, provisions were saved as constructions were not carried out due to non-receipt of Cabinet approval therefor.

Provisions were saved as payments were made according to submission of bills as per the recommendations of the consultancy firm relating to completion of works of Phase III of the District Secretariat.

Moreover, according to the notification of the Director General of Budget relating to Object 2102- Office Equipment, provisions had

been made by transferring provisions in terms of Financial Regulation 66 for purchase of office equipment for the Ministry of Home Affairs and out of provisions amounting to Rs.200,000,000, only an expenditure of Rs.24,458,193 had been incurred which had resulted in savings of provisions.

- (e) Under the acquisition of capital assets, Rs. 26 million has been allocated through budget estimates for the Furniture and Office Equipment Object (2102) and additionally, an amount of Rs.200 million had also been made by transferring provision in terms of FR 66. It was observed that these transfers were made to purchase furniture and office equipment for the Ministry of Home Affairs under Expenditure Head No. 155. It was not observed that the legal provisions were made to utilize provision, allocated under one Expenditure Head for a purpose of another Expenditure Head. The Ministry of Home Affairs has purchased furniture and office equipment worth Rs. 24.46 million in the year 2019 under the said provision and it had been brought to accounts under expenses incurred by other Ministries under Head 255 of the District Secretariat. Accordingly, savings amounting to Rs. 175.51 million or 87.78 per cent, out of the provision of Rs. 200 million made for the purchase of furniture and office equipment, had been reported and reasons for that had not been explained.

Provision should be made by taking in to consideration the existing legal provisions and the provision made should be utilized to the maximum extent.

According to a request made for purchasing furniture required for the establishment of the Ministry of Home Affairs within the Colombo District Secretariat Complex, the Director General of Budget had instructed that the relevant expenditure be managed with the funds allocated for the construction of the District Secretariat Complex. Accordingly, I kindly state that provision was made for the purchase of relevant furniture and office equipment by transferring Rs.200,000,000 to the Object 225-1-1-0-2102 through transferring provision in terms of FR 66, as stated in the audit query, on the recommendation made by the Secretary of the Ministry of Home Affairs, who is the Chief Accounting Officer, and with the approval of the Secretary to the Ministry of Finance. I kindly inform you that these assets will be taken to accounts as assets of the Ministry of Home Affairs and I will take action to

inquire the necessary information in this regard from the Ministry of Home Affairs and submit the necessary information.

2.3 Entering in to Liabilities and Commitments

 The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Liabilities totalling to Rs.569,357 had been entered in to by exceeding provision for 03 recurrent objects bearing No.s 1002,1101 and 1202.	Action should not be taken to enter in to liabilities exceeding annual provisions of the Objects in terms of provisions of FR 94.	I kindly inform you that action will be taken to further examine and report.
(b) The balance of liabilities in the statement liabilities and commitments indicated in Note (III) of the financial statements in terms of the provisions stipulated in paragraph 3.4 of the State Accounts Circular No. 271/2019 of 23 December 2019 should have been reconciled with the balance of liabilities of statement liabilities and commitments (SA-92) issued in relation to each expenditure items issue by the General Treasury. in Note (III) of the Financial Statements (III) Should have been compared with the balance. However, a sum of Rs. 217,908 had been overstated in relation to 02 Objects and a sum of Rs. 70,848,764 had been understated in relation to 04	Relevant liabilities should be accurately stated in the financial statements.	I kindly inform you that action will be taken to further examine and report.

Objects as liabilities and commitments in financial statements.

(c) Liabilities amounting to Rs. 234,903 prevailed as at 31 December 2018 in respect of 05 Objects had not been paid and released even during the year 2019 and those liabilities had not been mentioned in the statement of liabilities and commitments in Note (III) of the Financial Statements.

Relevant liabilities should be paid and released and if liabilities had not been paid, such liabilities should be stated in the financial statements.

I agree. This is due to making payments through CIGAS by newly entering new liabilities and commitments Programme with new liabilities and liabilities without making payments under the said liabilities as officers, who run this CIGAS Programme have transferred and new officers have been running the CIGAS Programme.

However, I kindly inform you that action will be taken to remove these liabilities after informing the Department of State Accounts as the said liability does not exist at present.

2.4 Utilization of Provisions made by other Ministries and Departments

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The total amount of provision made by the Presidential Secretariat (Expenditure Head 001) for the implementation of various programmes was Rs. 11,083,858. Provision amounting to Rs. 2,061,683 or 18.6 percent was only utilized out of the provision made. The utilization for each of these programmes as a percentage of the provision made was 35 percent, 5 percent and 00 percent respectively.</p>	<p>-----</p> <p>Action should be taken to properly utilize provision made by other Ministries and Departments by obtaining imprest timely.</p>	<p>-----</p> <p>Although provision had been made for the relevant programmes, I would like to mention that there were bills in hand of about Rs. 26,160,000 as at 31 December 2019 due to non-receipt of imprest. Therefore, I would like to point out that under-utilization of provision had taken place.</p>

2.5 Issuance and Settlement of Advances

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>An adhoc sub imprest issued in terms of the provisions of FR 371 (5) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka should be settled immediately after the completion of the purpose for which it is granted. However, in contrary to that, the settlement of ad hoc sub imprest amounting to Rs. 1,608,244, which had been paid to 15 officers in 28 occasions had been delayed for a period of 11 days to 58 days.</p>	<p>Action should be taken to settle ad hoc sub imprest obtained immediately after the completion of the purpose for which imprest was obtained.</p>	<p>I kindly mention that all the staff officers have been made aware in this regard.</p>

2.6 Payment of Advances to Public Officers

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The total of outstanding loan balances amounting to 1,619,556 that should have been recovered from officers and employees that are not in the service currently due to transferring from workplaces, deaths, retirements, interdicting and vacation of post had not been recovered for a period of 2 years and more than that.</p>	<p>Action should be taken expeditiously to recover the arrears loan balance from the officers concerned.</p>	<p>Even though the outstanding loan balance of the Public Officers' Advance B Account was Rs. 2,885,696.38 as at 31 December 2019, the balance as at 26 June 2020 was Rs. 2,340,741.51. I kindly state that every possible step will be taken at the level of the District Secretariat for this purpose. According to the policy decisions of the Government for the provision of distress loan to public officers, who have completed 10 years of service, without obtaining a security, the difficulty in recovering loans due to vacation of post, suspension and interdiction of public officers is beyond our control. Accordingly, I would like to state that Rs. 544,954.87 has been collected as at 26 June 2020 and I kindly inform that every effort will be made even by the Attorney General to recover the loan balances that could not be recovered.</p>

2.7 Deposit Balances

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The Value of lapsed deposits, which were elapsed for a period from 02 years to 05 years in 02 Deposit Accounts such as Money held in suspense bearing No. 6000-0-0-16-0-26 in 06 Divisional Secretariats and Payments to Third Parties bearing No. 6000-0-0-13-0-46 was Rs. 3,149,835. Action had been taken to settle the deposit account balance in terms of FR 571.	Action should be taken expeditiously to settle Money held in suspense in a deposit account and payments to be made to third parties in terms of provisions of FR 571.	Action has been taken to make all the Divisional Secretaries aware on the settlement in terms of the provisions of FR 571.
(b) The value of the Compensation Deposit Account bearing No. 6000-0-0-17-0-6 in relation to 08 Divisional Secretariats, overdue for a period of 05 years or more was Rs. 97,212,669 and adequate action had not been taken to pay the land compensation and to settle the deposit balance.	Adequate and expeditious action should be taken to pay the land compensation and to settle the deposit balance.	The relevant Divisional Secretaries were informed to pay the overdue deposits immediately after receiving imprest.

3. Operating Review

3.1 Planning

Audit Observation	Recommendation	Comment of the Accounting Officer
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In terms of the provisions in Paragraph 03 of the Public Finance Circular No.01/2014 of 17 February 2014, the Heads of District Secretariats should prepare the Annual Action Plan including all the matters and requirements	Action should be taken to prepare the Annual Action Plan properly in terms of the provisions in the Public Finance Circular and to utilize it as an instrument of control and thereby, to perform the function for achieving the objectives.	It had been informed that action will be taken in the ensuing year as per the provisions in circular.

pertaining to the financial year within the three year medium – term budgetary framework, to implement approved budget estimates for the respective institution. Nevertheless, the District Secretariat had not prepared an Annual Action Plan including the information such as, the Organizational Structure, approved cadre and actual cadre, Annual Procurement Plan, Activity Time Line and anticipated output and Imprest Requirement Plan.

3.2 Performance

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
<p>It was observed that action had not been taken with adequate and efficient management to perform the functions for the achievement of objectives of the Colombo District Secretariat towards the accomplishment of mission to empower human life through creative and innovative resource management.</p>	<p>According to the vision and mission of the District Secretariat, functions should be performed to achieve the objectives towards the empowerment of human life through creative and innovative resource management.</p>	<p>Comments had not been made in this connection.</p>

3.3 Assets Management

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
<p>In terms of Financial Regulation 128 and the provisions of Public Finance Circular No.5/2016 of 31 March 2019, activities of Board of Survey for the year 2019 should have been completed by 15 January.</p>	<p>Expeditious action should be taken to make the necessary adjustments to accounts by conducting annual Boards of Survey and implementing the recommendations of Board of Survey in a timely manner without delay as per the relevant Financial</p>	<p>It had been informed that action will be taken in future as per the relevant regulations.</p>

Nevertheless, the Board of Survey was completed and the reports of Board of Survey had been presented on 20 June 2020. However, action in terms of provisions had not been taken on shortfall of 59 items of assets, 50 items of assets in excess and 54 items of assets to be disposed as recommended by the Report of the Board of Survey.

Regulations and provisions in Finance Circulars.

3.4 Security of Public Officers

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) In terms of Financial Regulation 880 of the Democratic Socialist Republic of Sri Lanka and provisions in the circular No. AE/K/අූභ/2008 of 30 August 2008 of the District Secretary, Colombo, security had not been obtained from 09 officers who should give security in the Divisional Secretariats Kesbewa, Ratmalana and Padukka.	Action should be taken in terms of Financial Regulation 880 and the provisions in circular dated 30 August 2008.	It was noted to take necessary action in terms of Financial Regulations.
(b) Action had not been taken to return the Pass Books of 08 officers and 06 officers not employed at present in the Divisional Secretariats Maharagama and Kaduwela respectively.	Action should be taken to return the Pass Books of officers not employed.	It had been informed that action will be taken accordingly in future.

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| <p>(c) In terms of provisions in Financial Regulation 892 of the Democratic Socialist Republic of Sri Lanka, a revised statement of all officers required to furnish security, should be sent to the Secretary to the Ministry concerned and to the Auditor General as at the end of every third year. Nevertheless, the Divisional Secretariats had not taken action as per the said provisions.</p> | <p>In terms of provisions in Financial Regulation 892, the relevant reports should be sent to the Secretary to the Ministry concerned and to the Auditor General.</p> | <p>It had been informed that action will be taken in future.</p> |
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3.5 Transactions of the Nature of Financial Irregularities

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>(a) Cost of Living Allowances totalling Rs.84,000 had been obtained irregularly during 42 months up to May 2018 by using a Elders' Allowance Card of a recipient who had deceased on 09 December 2014 in the area of authority of the Maharagama Divisional Secretariat. However, no action had been taken to recover the said money and to initiate legal action against the officers responsible.</p>	<p>In terms of the provisions in Financial Regulations 101 and 156 of the Democratic Socialist Republic of Sri Lanka, action should be expedited to identify the parties responsible for cash frauds and to recover the financial loss suffered by the institution, from the parties responsible.</p>	<p>It had been informed that action will be taken in future to conduct relevant investigations and recover the money.</p>
<p>(b) Elders' Cost of Living Allowances totalling Rs. 392,000 had been obtained irregularly from five elders</p>	<p>In terms of the provisions in Financial Regulations 101 and 156 of the Democratic Socialist Republic of Sri Lanka, action</p>	

deceased in the Grama Niladhari Division, 525 A Udahamulla East in the area of authority of the Maharagama Divisional Secretariat while no action had been taken to recover the said money from the parties responsible and to initiate legal action against the parties responsible.

- (c) Pensions had been overpaid in an improper and irregular manner to the pensioners in the areas of authority pertaining to 13 Divisional Secretariats of Colombo District due to the reasons such as, errors in the computation and conversion, double payment of pensions, continuous payment of pensions without verifying the deaths of pensioners, double payment of Cost of Living Allowances for pensions in Army. Pensions amounting to Rs.68,308,347 had been overpaid to 367 pensioners during the preceding period. Even though Rs.41,969,994 out of the said amount had been recovered as at 31 December 2019, an outstanding sum of Rs.26,338,380 was recoverable further. Balances relating to periods ranging from 5 to 10 years and older than 10 years were included in the said amount recoverable.

should be expedited to identify the parties responsible and to recover the financial loss suffered by the institution, from the parties responsible.

Necessary action should be taken without delay to pay the pensions after preparing the pensions accurately and properly and checking them and also to pay the pensions only for the living pensioners by frequently obtaining the Life Certificates from pensioners .

Instructions have been given to the officers to take action accurately and properly in future as per the matters pointed out by Audit. It has been informed that action will be taken accordingly in future.

3.6 Losses and Damages

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>By 31 December 2019, a period of over 07 years had elapsed since fire broke out at the District Secretariat, Colombo whilst a period of more than 04 years had elapsed since Divisional Secretariat, Maharagama had been destroyed by fire. The values of losses and damages that had not been either recovered or written off with respect to those damages, amounted to Rs. 92,606,688 and Rs. 624,491 respectively, thus indicating a total of Rs. 93,231,179. Action had not been taken even up to 30 June 2020 to settle those losses and damages. The following observations are further made in that connection.</p>	<p>An inquiry should be held promptly on the losses and damages, and action should be taken against the parties responsible. The loss sustained by the Government should be recovered from the parties responsible in terms of Regulations 101 and 156 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Losses and damages should be settled.</p>	<p>Despite being requested to write off the loss, the Director General of State Accounts informed that the loss could not be written off.</p>

3.7 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>(a) Prior to establishing a Divisional Secretariat, the divisions and boundaries to be within the jurisdiction of the Divisional Secretariat should be determined, and published in the Gazette trilingually. However, as for the Divisional Secretariat, Padukka established on 19 May 1999, and Divisional Secretariat, Thimbirigasyaya established on 03 March 1999, the Gazette notifications relating to the divisions and boundaries had not been published even by 31 December 2019.</p>	<p>Prior to establishing a Divisional Secretariat, the divisions and boundaries to be within the jurisdiction of the Divisional Secretariat should be determined, and published in the Gazette trilingually.</p>	<p>It has been informed that action is being taken in that connection.</p>

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| <p>(b) The land belonging to the Transport Board had been taken over by the Urban Development Authority under the acquisition of lands for the development of Maharagama town. Action had so far not taken to pay the compensation assessed by the Government Valuation Department on 02 February 2016 to be Rs. 112 million, to the Transport Board.</p> | <p>The provision should be obtained and the compensation should be paid.</p> | <p>It has been informed that although the land had been taken over formally, payment of compensation has not been completed.</p> |
| <p>(c) The 04 elevators required for the new 06 storied building in which the Divisional Secretariat, Maharagama had been established, had not been installed even by 31 December 2019.</p> | <p>The elevators should promptly be installed.</p> | <p>It has been informed that action is being taken for the installation of elevators by obtaining the necessary provision.</p> |
| <p>(d) Action was not taken adequately to disclose information on the ownership of lands in the reserve of which the harvest is reaped by lessees, and the long term encroachment of Government lands located at a reserve in the Grama Niladhari divisions of Waga South and Waga East pertaining to the Divisional Secretariat, Padukka.</p> | <p>Necessary action should be taken against the parties encroaching the reserved lands that had been given on lease on the basis of recovering tax on harvest.</p> | <p>It has been informed that action is being taken in this regard.</p> |
| <p>(e) Without properly taking over the land of the Sri Lanka Transport Board in extent of 26.5 perches with the Rate No. 175 located in the division of the Dehiwala – Mount Lavinia Municipal Council, building of the Divisional Secretariat, Ratmalana had been built by spending public funds. In order to construct a new building due to lack of space in the existing building, the Divisional Secretary, Ratmalana had been informed on 17 November 2017 that action would be taken to take over an extent of 50 perches from the land located at No. 511 in Ratmalana, on Gall road that had been given on long-term lease to the <i>Janasathu Seva</i></p> | <p>Prompt action should be taken for taking over the land.</p> | <p>It is informed that action is being taken in this connection.</p> |

Cricket Association. However, no action had been taken even by 31 December 2019 to take over that land.

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| <p>(f) The ownership of the lands at which the Divisional Secretariats of Colombo, Dehiwala, Kolonnawa, Kesbewa, and Homagama, had not belonged to the respective Divisional Secretariats, but no proper action had been taken so far to take over the ownership of those lands. Considerable amounts of public funds had been spent by those offices on constructions made at those lands the ownership of which had not belonged to the Divisional Secretariats.</p> | <p>Prompt action should be taken to take over the ownership of lands at which the Divisional Secretariats had been established.</p> | <p>It has been informed that activities relating to the taking over of lands would be expedited in due course.</p> |
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4. Sustainable Development

4.1 Recognizing Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>According to the provisions in Chapter 08 of the National Budget Circular, No. 4/2018 dated 17 July 2018, fifty three sustainable development targets had been recognized in the year under review under 22 areas of Sustainable Development Goals and targets with respect to present and future development activities, and the plan had been prepared. However, in order to achieve those targets, no provision had been made in the estimates to determine and implement the programmes, projects, and functions. Nevertheless, it was shown under the section – progress in achieving the Sustainable Development Goals, in the annual performance report of the year 2019 that Sustainable Development Goals had been achieved.</p>	<p>According to the provisions of Circulars, projects and programmes should be recognized in order to fulfill the Sustainable Development Goals, thus taking action to allocate provision thereon.</p>	<p>Not replied.</p>

5. Good Governance

5.1 Rendering Services to the Public

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>According to the Public Administration Circular, No. 05/2008 dated 06 February 2008, the necessity is stated to institute a Citizens' Charter as a written commitment in provision of quality, fast, and efficient services tailored to meet the requirements of citizens, and the Citizens' Charter is a written commitment made by a public institution in the deliverance of its services to the citizens of the country recognizing that the citizens have a right to receive such services from a public institution. However, it was not observed that action had been taken in that connection.</p>	<p>A Citizens' Charter should be instituted expeditiously to take action to productively uplift the quality of life of the people by fulfilling their requirements promptly, efficiently, qualitatively and relentlessly.</p>	<p>In order to render efficient and productive services to the public, necessary action has been taken to apprise the Divisional Secretaries to institute the Citizens' Charter in a meaningful manner.</p>

6. Human Resource Management

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>Due to existence of 272 vacancies representing 13 per cent of the approved cadre of 2101, it was observed that this situation would cause an unfavorable effect on the efficiency and productivity of the services rendered to the public.</p>	<p>Action should be taken to fill the necessary vacancies.</p>	<p>As no officer is attached despite being informed that vacancies be filled, the vacancies continue to exist.</p>