

**Appropriation Head – 130 - Ministry of Local Government and Provincial Councils**

**Report of the Auditor General - Year 2011**

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1.1 Scope of Audi

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The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Ministry of Local Government and Provincial Councils for the year ended 31 December 2011 were audited 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 was issued to the Secretary of the Ministry on 30 June 2013. 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

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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public, Financial 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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Total Provision and Expenditure

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The total net provision made for the Ministry for the year under review amounted to Rs.6,561,223,456 and out of that a sum of Rs.6,221,104,407 had been utilized by the end of the year under review. Accordingly, the net savings amounted to Rs.340,119,049 and it represented 5 per cent of the total net provision. Details are given below.

Expenditure	Estimated Provision	Net Provision	Savings	Savings as a Percentage of Net Provision
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	Rs.	Rs.	Rs.	%
Recurrent	172,610,000	172,064,000	9,283,424	5.39
Capital	4,360,250,000	6,389,159,456	330,835,625	5.17
Total	4,532,860,000	6,561,223,456	340,119,049	
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2.2 Advance Accounts

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Advances to Public Officers' Account

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Limits Authorized by Parliament

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Limits authorized by Parliament and the actual values relating to the Advances to Public Officers' Account, Item No.No.13001 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 Limit</u>	<u>Actual</u>
<u>Limit</u>		<u>Limit</u>			
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.

7,850,000      5,660,412      3,900,000      4,764,514      35,000,000      24,841,655

2.3      General Deposits Account  
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The balances of the General Deposits Account of the Ministry as at 31 December 2011 totalled Rs.20,708,204.

2.4      Audit Observations on the Accounts and Reconciliation Statements  
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According to the Financial Reports and the Books for the year ended 31 December 2011, it was observed that except for the effects of the general observations appearing at (a) to (g) and the other major audit observations appearing in paragraphs 2.5 to 2.10 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Local Government and Provincial Councils have been prepared satisfactorily.

(a)      Maintenance of Registers and Books  
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It was observed at the test check that the Ministry had not maintained the following registers in the proper and updated manner.

Type of Register -----	Relevant Regulation -----	Observations -----
Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978	Not making entries prior to year 2009.
Register of Vehicles	Financial Regulations 1647	Non inclusion of entries relating to the vehicles received and eliminated.

(b)      Budgetary Variance  
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- (i)      The entire provisions amounting to Rs.47,250,000 made under 04 Objects had been saved.

- (ii) Excess provisions had been made for 06 Objects and as such the savings amounting to Rs.198,952,963 thereunder after utilizing the provisions, had ranged between 72 per cent and 96 per cent of the net provision.

Object	Particulars of Object	Net Provision	Savings	Percentage of Savings
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		Rs.	Rs.	%
130-1-1-1303	Maintenance Expenditure - Buildings Constructions	100,000	93,978	94
130-1-1-2002	Rehabilitation of Capital Assets - Machineries and Equipment	400,000	383,500	96
130-2-3-16- 2502(14)	Greater Colombo Waste Water Management Project	185,000,000	175,045,317	95
130-2-3-20- 2504(14)	North Central Province Road Connectivity Project	11,000,000	8,256,187	75
130-2-3-20- 2504(17)	North Central Province Road Connectivity Project	750,000	709,094	95
130-2-4-10- 2502(11)	Panduwasnuwara Development Programme	20,000,000	14,464,887	72
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		217,250,000	198,952,963	
		=====	=====	

- (iii) Provision had been made through supplementary estimates in respect of certain Objects of the Ministry and it was observed that the provision from those supplementary estimates for 05 Objects had been underutilized ranging from 30 per cent to 100 per cent.

Object	Provision from Supplementary Estimates	Amount Utilised	Savings	Percentage of Savings
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	Rs.	Rs.	Rs.	%
130-1-1-1001	2,500,000	1,753,773	746,227	30
130-1-1-1401	1,000,000	395,747	604,253	60
130-2-3-3- 2504(17)	250,000,000	212,407,501	137,407,501	75

130-2-3-21- 2504(14)	10,000,000	-	10,000,000	100
130-2-3-21- 2504(17)	2,000,000	-	2,000,000	100

(c) Corporate Plan

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Even though a Corporate Plan should be prepared by the Ministry at the beginning of the year at least for 03 years from the year 2010 onward in terms of letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of the Department of Public Finance addressed to all the Secretaries of Ministries, Chief Secretaries of the Provincial Councils, Heads of Department, District Secretaries and Heads of Local Authorities, such a Plan had not been prepared even up to 31 December 2011.

(d) Annual Action Plan

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Even though an Action Plan for the year 2011 had been prepared and presented, financial targets of data relating to the development project of the Ministry had only been shown but the physical targets had not been shown.

(e) Annual Performance Report

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Even though an Annual Performance Report should be prepared by the District Secretariat within 150 days after the closure of the financial year in terms of Public Finance Circular Nos.402 and 402(1) dated 12 September 2002 and 20 February 2004 pointed out in the letter of the Director General of the Department of Public Finance mentioned in paragraph (c) above and it should be tabled in Parliament with a copy to the Auditor General, the performance report for the year under review had not been tabled in Parliament even up to 31May 2013.

(f) Annual Procurement plan

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The Annual Procurement Plan in terms of National Budget Circular No.128 dated 24 March 2006 had not been prepared up to 31 December 2011.

(g) Imprest Account

Even though ad-hoc sub imprest should have been settled immediately after completion of the activities in terms of Financial Regulations 371, sub imprest amounting to Rs.850,242 had not been settled after the delay of 5 months from the completion of relevant activities.

2.5 Assets Management

Conduct of Annual Board of Survey

Even though the Ministry had conducted the annual Board of Survey in terms of Financial Regulations 756 and 757, the Board had not conducted the Board of Survey for the year 2011 in respect of vehicles of the Ministry.

2.6 Non – compliance

Non-compliances with Laws, Rules, Regulations, etc..

Instances of non – compliance with the provisions of laws, rules and regulations observed during the audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non - compliance
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	Rs.	
(a) Establishments Code		
(i) Section 3 of Chapter VIII	2,773,426	Particulars relating to works carried out had not been pointed out so as to ensure the instances for which payments could be made for overtime.
(ii) Section 4.2.3 of Chapter XXIV	446,571	<b>“Promises that could not be rejected”</b> Seven files not presented by the debtors had been revealed at the test checks.
(b) Circular of the Presidential Secretariat		
(i) Paragraph 3.1 of the	-	Three vehicles had been excessively

Circular  
No.CA/1/17/1 dated  
14 May 2010

allocated to the Minister contrary to the  
paragraph.

- |                    |           |  |
|--------------------|-----------|--|
| (ii) Paragraph 2.1 | 1,603,072 | Two drivers and two office assistants had been excessively deployed in the service contrary to the paragraph. According to the Secretary of the Ministry of Local Government and Provincial Councils, it was pointed out that” I kindly inform that even though two drivers have been allocated by the Hon. Minister according to his necessity, it was managed with those drivers in the manner of not exceeding the approved cadre of the Ministry”. |
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## 2.7 Performance

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The following observations are made relating to the Action Plan and performance of the Ministry for the year 2011.

### (i) Construction of Multi Purpose Complex, Thehiyowita

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A sum of Rs.48 million had been allocated for the year 2011 to this construction and only a sum of Rs.40 million had been spent during the year. The project that was commenced in December 2010 was scheduled to be completed in the year 2012. According to the information in the files, it was observed that only 40 per cent of the physical progress had been achieved up to 22 December 2011. However, according to the Central Engineering Consultancy Bureau, the value of works carried out by March 2012 had been shown as Rs.87,565,066 and it represented 34 per cent of the contract amount of Rs.254,160,231. There was a delay in making payment for the works carried out relating to this project. Progress had not been achieved according to the planned manner. It was unable to complete the works even up to the end of the year 2012 according to the planned manner.

(ii) Building up of Local Government Institutions which were in Slow Progress  
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It was the purpose of providing assistance to the local government institutions through the Local Government Division of the Ministry and 103 local government institutions had been identified by the year 2011. A sum of Rs.13,791,802 had been paid during the year 2011 for 15 institutions out of these institutions only for repair of damaged vehicles.

Even though it was revealed at the examination of repair expenditure of vehicles that certain vehicles were very old, an amount exceeding its value had been spent for repair expenditure and repairs had been carried out from the local agents.

According to the Action Plan, it was pointed out that provision had been made for the maximum estimated amount of Rs.1 million to a local government institution for vehicle repairs. However, six repair expenditures exceeding Rs.1 million had been incurred.

Even though assistance amounting to Rs.32,193,055 had been provided for construction of building for each institution and purchase of equipment in the year 2011 for 14 institutions out of 103 institutions identified under the providing grants to build up local government institutions which receive low income, any grant had not been provided for implementation of project of enhancement of source of income as pointed out in the Action Plan.

2.8 Transactions of Contentious Nature  
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Certain transactions carried out by the Ministry were of contentious nature. Particulars of several such transactions revealed at audit test checks are given below.

(a) Recruitment for the approved cadre of the Ministry had been made from Corporations and Boards without recruiting from the public service or on temporary basis and as such a sum of Rs.1,336,143 had been overpaid during the year under review as salaries.

(b) A sum of Rs.255,470 had been reimbursed from the Ministry as bonus and holiday pay which were paid for employees of the Water Supply and Drainage Board.



2.9 Uneconomic Transactions

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Particulars relating to transactions entered into uneconomically which were revealed at the test checks are given below.

- (a) Sums of Rs.192,207 and Rs.916,695 had to be paid for water and electricity respectively during the year under review for water and electricity of the official residence of the Minister.
- (b) Penalty of Rs.17,584 for water bill and interest of Rs.2,939 for electricity bill had to be paid due to not making payment of bills properly.

2.10 Human Resources Management

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Approved Cadre and Actual Cadre

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The cadre position as at 31 December 2011 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	27	19	08
(ii) Tertiary Level	04	02	02
(iii) Secondary Level	130	82	48
(iv) Primary Level	54	39	15
(v) Others (Casual/ Temporary/ Contract Basis)	-	11	-
Total	----- 215	----- 153	----- 73
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