

Head 255 – Report of the Auditor General for the year 2014 on the District Secretariat, Colombo

Paragraphs 1-2 of this report includes general information on the accounts of the District Secretariat, whereas the Paragraph 3 includes audit observations relating to the Head.

1. Divisional Secretariats under the District Secretariat

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|---------------------|--------------|-------------------------|
| (a) Seethawaka      | (f) Moratuwa | (j) Sri Jayawardenepura |
| (b) Padukka         | (g) Dehiwala | (k) Kesbewa             |
| (c) Ratmalana       | (h) Kaduwela | (l) Homagama            |
| (d) Maharagama      | (i) Colombo  | (j) Kolonnawa           |
| (e) Thimbirigasyaya |              |                         |

1.1 Scope of Audit

The audit of the Appropriation Account and the reconciliation statements including the financial records, reconciliation statements, books, registers and other records of the District Secretariat , Colombo for the year ended 31 December 2014 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 was issued to the District Secretary on 07 July 2015. 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 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 of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and 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.

1.3 Accounts2.1 Appropriation Account(a.) Total Provision and Expenditure

The total net provision made for the District Secretariat, Colombo amounted to Rs. 979 Million, of which a sum of Rs. 787 million had been utilized by the end of the year under review. Accordingly, a sum of Rs. 192 million representing 20 per cent of the net provision, had been saved. Particulars are as follows.

<u>Expenditure</u>	<u>As at 31 December 2014</u>			<u>Saving as a percentage of the net provision</u>
	<u>Net Provision</u>	<u>Utilization</u>	<u>Savings</u>	
	Rs.Mn	Rs.Mn	Rs.Mn	
Recurrent	559	541	18	03.22
Capital	<u>420</u>	<u>246</u>	<u>174</u>	41.43
Total	<u>979</u>	<u>787</u>	<u>192</u>	19.61

(b.) Utilization of Provisions Granted by Other Ministries and Departments

Provisions totaling Rs. 8,465 million inclusive of sums amounting to Rs. 5,530 million, and Rs. 2,935 million had been granted by 22 Ministries and 12 Departments respectively, for various activities. A sum totaling Rs. 6,889 million including sums of Rs. 4,080 million, and Rs. 2,809 million of that, respectively had been utilized by the end of the year under review. As such, the savings of the provision made amounted to Rs. 1,450 million, and Rs. 126 million representing 26.2 per cent and 4.3 per cent respectively.

2.2 Advances to Public Officers AccountLimits Authorized by Parliament

Limits authorized by Parliament and actuals of the Advances to Public Officers Account of the District Secretariat, are as follows.

<u>Item No</u>	<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
	<u>Maximum Limit</u>	<u>Actual</u>	<u>Minimum Limit</u>	<u>Actual</u>	<u>Maximum Limit</u>	<u>Actual</u>
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs.Mn
25501	42	37.5	32	33.9	200	158

### 2.3 Imprest Account

The balance of the Imprest Account of the District Secretariat as at 31 December 2014, amounted to Rs. 31.3 million.

### 2.4 General Deposit Account

There had been a balance of Rs. 694.5 million in the Deposit Account bearing No. 6003/0000/00/0031/0000/00 of the District Secretariat, Colombo as at 31 December 2014.

### 2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements of the District Secretariat, Colombo as at 31 December 2014 had been satisfactorily prepared in accordance with financial reports and books for the year ended 31 December 2014, subject to the observations stated in the management audit report as mentioned in the paragraph 1.1. Materials significant observations included in that management Audit report are shown in paragraph 3.

## 3. Head 255 - District Secretariat – Colombo

### 3.1 Failure to Maintain Books and Records

It was observed at audit test checks that the following registers had not been maintained by the District Secretariat whilst certain registers had not been maintained in a proper and timely manner.

<u>Type of Register</u>	<u>Relevant Regulation</u>	<u>Observations</u>
(a) Register of Fixed Assets	Treasury Circular, No. 842 dated 19 December 1978	The Register of Fixed Assets had not been updated.
(b) Register of Fixed Assets on Computers, Accessories, and Software	Treasury Circular, No. IAI/2002/02 dated 28 November 2002	Register of Fixed Assets on Computers, Accessories, and Software had not been maintained.

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|---|---|--|
| (c) Security Register   | Financial Regulation<br>891(1)                                  | Security Register had not<br>been updated.   |
| (d) Register of Electric<br>Appliances  | Financial Regulation<br>454(2)                                  | Register of Electric<br>Appliances had not been<br>updated.                                |
| (e) Register of Liabilities   | Financial Regulation<br>214                                     | Register of Liabilities had<br>not been updated.   |
| (f) Register of Counterfoils  | Provisions of<br>Financial Regulation<br>341                    | Register of Counterfoils<br>had not been updated in<br>accordance with Format<br>G.A.N. 20 |
| (g) Stock Book on Fuel and<br>Lubricants  | Financial Regulation<br>1647 (d)                                | Stock Book on Fuel and<br>Lubricants had not been<br>maintained.                           |
| (h) Register of Vehicle Listing   | Financial Regulation<br>1647 (e)                                | Register of Vehicle Listing<br>had not been updated.                                       |
| (i) Attendance Register of<br>Procurement Committee and<br>Technical Evaluation<br>Committee. | Guideline 2.11.2 of<br>Government<br>Procurement<br>Guidelines. | Attendance Register of<br>Procurement Committee<br>had not been updated.                   |
| (j) Register of Calling for Bids  | Guideline 5.2.1 of<br>Government<br>Procurement<br>Guidelines.  | Register of Calling for Bids<br>had not been updated.                                      |

## 3.2 Appropriation Account

### 3.2.1 Budget Variances

As overprovisions amounting to Rs. 173,216,428 had been made for 02 items of expenditure, the saving after utilization was in the range of 13 to 46 per cent of the net provision.

### 3.2.2 Provisions Granted by Other Ministries and Departments

The following observations are made.

- (a.) Provisions amounting to Rs. 4,615 million had been granted by the Ministry of Economic Development in the year under review out of which a sum of Rs. 3,165 million had been utilized. Accordingly, provisions of Rs. 1,450 million had been saved. Follow-up action had not been taken in order to ensure that the relevant objectives had been achieved through the provisions amounting to Rs. 3,165 million that had been utilized.
- (b.) After utilizing a sum of Rs. 2,238 million from the provisions of Rs. 2,364 million that had been granted by the Department of Pensions, provisions amounting to Rs. 126 million had been saved.

## 3.5 General Deposit Account

The following observations are made.

- (a.) Action had not been taken as per Financial Regulation 571 on 22 deposits valued at Rs. 129,984,587, older than 2 years.
- (b.) The District Secretariat had retained a sum of Rs. 2,156,553 in the Deposit Account in the month of December, 2014 without obtaining the approval of the Treasury, contrary to Financial Regulation 215 (3), and a sum of Rs. 798,980 of that had been credited to the Government revenue, on 25 February 2015.
- (c.) The balance of the General Deposit Account of the Appropriation Account in the year under review had been shown as Rs. 694,542,433. The balances of General Deposit Accounts of 13 Divisional Secretariats , and the District Secretariat amounted to Rs. 471,596,086 and Rs. 285,847,719 respectively thus making a total

of Rs. 757,443,805. Accordingly, the difference between the Appropriation Account and the general deposit registers amounted to Rs. 62,901,372.

- (d.) The balance of the District Secretariat according to the General Deposit Register amounted to Rs. 285,847,719 as at the end of the year under review, but the balance in accordance with the General Deposit Control Account, amounted to Rs. 222,946,348 whereas the balance as per the schedules presented was Rs. 142,746,286. Those accounts and registers had not been reconciled.
- (e.) Although there had been a zero balance in the General Deposit Account bearing No. 6003/0000/00/0001/0000/000 as at 31 December 2014, according to the department books, there had been a debit balance amounting to Rs. 10,000,000 according to the Treasury books.
- (f.) A sum totaling Rs. 760,903 that had been granted by 06 Government institutions for various activities, had been retained in the General Deposit Account without carrying out the activities even by the end of the year under review.

### 3.6 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed in the sample audit check conducted on the reconciliation statement as at 31 December 2014 relating to the Advances to Public Officers Account, bearing item No.25501.

- (a.) In accordance with the reconciliation statement presented to audit, loan balances amounting to Rs. 6,294,253 remained outstanding as at 31 December 2014. Of that, Rs. 1,105,926 had been recovered by 24 July 2015. Accordingly, loan balances amounting to Rs. 5,188,327 had remained outstanding as at that date. Although those balances had remained outstanding for periods ranging from 2 months to 20 years, action relating to the recovery of those balances, was at a weaker level.
- (b.) A loan balance of Rs. 151,381 recoverable from an officer of the District Secretariat who had proceeded abroad on no-pay leave, had not been recovered in accordance

with Section 15.10.1 of Chapter XII of the Establishments Code. The said loan balance remained due for a period of more than 04 years as at 31 December 2014.

- (c.) The outstanding loan balance of the deceased and retired officers amounted to Rs. 2,047,451. As compared with the year 2013, that loan balance had increased by a sum of Rs. 1,055,244 representing 52 per cent. The balances included loan balances totaling Rs.929,267 older than 06 months and less than 2 years, and balances of totaling Rs.297,299 more than 05 years. Recovery of those loan balances was not satisfactory.
- (d.) The total loan balances, remained outstanding for more than 5 years, due from officers who had vacated the service , transferred and been interdicted, totaled Rs. 1,173,100.
- (e.) According to the Department books, the balance of the Advances to Public Officers Account amounted to Rs. 156,876,930 as at 31 December 2014, whereas it amounted to Rs. 158,074,062 according to the Treasury books. As such, a difference of Rs. 1,197,132 was observed.

### 3.7 Assets Management

The following deficiencies were observed at the sample audit check conducted on the assets of the District Secretariat.

#### (a.) Conducting Annual Boards of Survey

The following observations are made.

- (i) Action had not been taken as per Financial Regulations in connection with excesses, shortages, and other recommendations made by the Board of Survey reports relating to the year 2014.
- (ii) According to the report of the Board of Survey conducted at the District Secretariat, Colombo, and the 13 Divisional Secretariats as at 31 December 2014, action had not been taken in respect of shortage of 61 units of items, and excess of 268 units of items, and to include 641 units of items in the Inventory register.

- (iii) Inventories, and General 219, and General 141 forms in the District Secretariat, Colombo, had not been properly updated even as at 31 December 2014.

(b.) Unsettled Liabilities

The value of liabilities less than 01 year and not settled by the District Secretariat as at 31 December 2014, totaled Rs. 6,334,319. The following observations are made in that connection.

- (i) Despite the saving of Rs. 1,559,146 by the end of the year under review with respect to 11 Objects, liabilities valued at Rs. 3,849,656 had been committed by exceeding the saving by a sum of Rs. 2,290,510.
- (ii) Liabilities totaling Rs. 136,226 had been understated in the statement of liabilities of the Appropriation Account.

3.8 Transactions of Contentious Nature

Some of the transactions performed by the District Secretariat were of contentious nature. Particulars relating to some of these transactions revealed at sample checks are as follows.

It was planned in the year 2001 on a cost estimate of Rs. 1,400 million in order to construct a twenty-storey building for the District Secretariat, Colombo. A sum totaling Rs. 1,260,86 million comprising a sum of Rs. 815.36 million, and a sum of Rs. 445.5 million for the first and the second stages respectively had been paid to the CECB in this connection. The following observations are made in this connection.

- (a.) Construction of only 06 storeys of the building had been completed by 15 January 2014.
- (b.) Although 2 years had elapsed after paying an advance of Rs. 295,000,000 prior to commencing the work, the construction of the building had delayed due to various reasons such as, non-receipt of adequate provisions annually, lack of proper progress reviews and follow-up action.



- (c.) Despite the Cabinet approval for the revised cost estimate granted on 24 August 2014, the approval of the cost estimate inspection committee had not been received by the Treasury even by 15 July 2015.
- (d.) Although it had been informed that defects be promptly rectified following the discussions held on 04 April 2014, 02 June 2014, 28 October 2014, and 24 March 2015 headed by the District secretary in connection with the 06 storeys completed, those defects had not been rectified even by 27 February 2015.
- (e.) A sum of Rs. 9,932,195 had been paid to the Colombo Municipal Council on 31 December 2012 without any plan or a written agreement whatsoever for the construction of a sewage system for this building. A sum totaling Rs. 9,817,535 had been taken back comprising sums of Rs. 8,000,000 and Rs. 1,817,535 on 20 December 2013 and 28 October 2014 respectively from the municipality. The difference of Rs. 114,660 between the sums paid and recovered, had been set off by the Colombo Municipal Council as expenses incurred on newspaper advertisements. A sewage system had not been constructed at the premises of the District Secretariat even by 15 July 2015, and the District Secretariat had allowed Public funds be retained idle at the municipal Council for a duration of about 2 years.

### 3.10 Irregular Transactions

The following observations are made.

- (a.) When bids were called for procuring furniture for the new building of the District Secretariat, the contract had been awarded to the highest bidder-Metropolitan Company, and a sum of Rs. 24,076,616 had been paid thereon. The following observations are made in that connection.
  - (i) An officer responsible had not issued a certificate to the effect that all items had been furnished by the contractor to the office as per specifications.
  - (ii) A certificate of the engineer had not been made available that the relevant supplies had been made in compliance with the conditions of the contract as per Guidelines 8.12.2(a) , and (b) in order to execute the provisions of the Guidelines 8.12.1 (a) and (b) of the Government Procurement Guidelines.

- (iii) Although the value of goods supplied in accordance with the invoice presented by the contractor on 24 December 2013 amounted to Rs. 17,945,579 (inclusive of VAT), the value of the goods supplied as per agreement amounted to Rs. 24,076,616 with value added tax. Accordingly, the contractor had presented an invoice relating to the difference of Rs. 6,131,037 on 24 June 2014 after a delay of 04 months. Demurrage charges amounting to Rs. 2,149,897 had not been recovered for the delay of 4 months in accordance with Paragraph 2.7 of the contract agreement.
- (iv) Although sums of Rs. 1,138,368, and Rs. 24,225 had been paid outside the agreement for the supply of 06 tables and a high-back chair respectively, approval of the Procurement Committee had not been obtained in that connection, and a confirmation to ensure the receipt of such goods was not made available to audit.

### 3.11 Human Resources Management

#### Approved and Actual

The position of cadre as at 31 December 2014 had been as follows.

<u>Category of Employee</u>	<u>Approved cadre</u>	<u>Actual cadre</u>	<u>No.of Vacancies</u>
(i) Senior Level	63	57	06
(ii) Tertiary Level	24	19	05
(iii) Secondary Level	828	589	239
(iv) Primary Level	<u>90</u>	<u>82</u>	<u>08</u>
<b>Total</b>	<b><u>1,005</u></b>	<b><u>747</u></b>	<b><u>258</u></b>