

**Report of the Auditor General on Head 279 – District Secretariat Kegalle
Year 2015**

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 279 - District Secretariat, Kegalle for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the District Secretary on 26 May 2016. The audit observations, comments and findings on the 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 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and the 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 and the Public Finance and Administrative Regulations. The 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.707.00 million and out of that Rs.629.51 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.77.49 million or 10.96 per cent. Details are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
-----	----- Rs.Millions	----- Rs.Millions	----- Rs.Millions	-----
Recurrent	607.00	600.29	6.71	1.1
Capital	100.00	29.22	70.78	70.78
Total	707.00	629.51	77.49	10.96
	=====	=====	=====	

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

Provisions totalling Rs.2,812 million had been made available by 27 other Ministries and 18 Departments for various activities. Out of that, provisions amounting to Rs.2,496 million had been utilized by the end of the year under review. Accordingly, the savings out of the provisions made, amounted to Rs.316 million and represented 11 per cent.

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament and actual values for the Advances to Public Officers Account, Item No.27901 relevant to the District Secretariat are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----
Rs.Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
44.16	43.18	31.00	41.53	144.00	136.59

2.3 General Deposit Accounts

The balances of 4 Deposit Accounts under the District Secretariat as at 31 December 2015 totalled Rs.527.1 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
-----	-----
	Rs. Millions
6003/0000/00/0002/0067/000	17.62
6003/0000/00/0013/0037/000	76.44
6003/0000/00/0017/0004/000	34.42
6003/0000/00/0016/0019/000	398.62

Total	527.10
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2.4 **Audit Observation**

The Appropriation Account and the Reconciliation Statements of the District Secretariat, Kegalle for the year ended 31 December 2015, have been prepared satisfactorily subject to the audit observations, appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and important observations out of the observations included in the Management Audit Report appear in paragraph 3 below.

3. **Material and Significant Audit Observations**

3.1 **Non-maintenance of Registers and Books**

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

<u>Type of Register</u>	<u>Relevant Regulation</u>
(a) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002
(c) Security Register	Financial Regulation 891(1)
(d) Inventory of Electrical Fittings	Financial Regulation 454(2)
(e) Register of Listing of Motor Vehicles	Financial Regulation 1647
(f) Register of Attendance the Procurement Committee and Technical Evaluation Committee	Guideline 2.11.2 of the Government Procurement Guidelines
(g) Reports on Committee Meetings	Guideline 2.11.3(a) of the Government Procurement Guidelines

3.2 **Appropriation Account**

Budgetary Variance

Excess provisions had been made for 11 Objects and as such the savings, after the utilization of provisions, ranged from 14 per cent to 59 per cent of the net provisions relating to the respective Objects.

3.3 General Deposit Accounts

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken by the District Secretariat on deposits older than 2 years amounting to Rs. 181.944,766 in the District Secretariat and 04 Divisional Secretariats.
- (b) Out of the provisions made for the construction of the new building for the District Secretariat, Kegalle, a sum of Rs.4,262,500 planned to be spent in the ensuing year had been retained in the General Deposit Account without obtaining the Treasury approval in terms of provisions in Financial Regulation 215.

3.4 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No.27901.

- (a) According to the Reconciliation Statement as at 31 December 2015 presented to audit, the balances that remained outstanding as at that date totalled Rs.531,526. Even though those outstanding balances remained over periods ranging from 03 years to 06 years, the District Secretariat had not taken action to settle those outstanding loan balances even by the end of the year under review.
- (b) A difference of Rs.953,123 was observed between the balance of Loan Advances Reconciliation Statement of two Divisional Secretariats as at 31 December 2015 and the closing balance of the Credit Control Accounts of those Divisional Secretariats.

3.5 Good Governance and Accountability

3.5.1 Annual Action Plan

The District Secretariat had not prepared the Annual Action Plan in terms of the Public Finance Circular No. 01/2014 of 17 of February 2014.

3.5.2 Annual Procurement Plan

The detailed Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared.

3.6 Assets Management

The following deficiencies were observed during the course of audit test checks carried out relating to the Assets of the District Secretariat.

- (a) Even though it had been informed in terms of the Letter No. HAF/01/09/888 of 20 June 2013 of the Secretary to the Ministry of Public Administration to hand over the Bowser to the Pradeshiya Sabha within 03 months and to repair and use the Motor Bicycle after being pointed out by audit of the decaying of the Trailer Bowser and Motor Bicycle received under Aid from the Government of Japan, action had not been taken accordingly even by 01 December 2015.
- (b) The following constructions had been estimated and carried out in the year 2014 by spending Rs.76.7 million under the provisions of the Ministry of Economic Development. Those buildings had not been made available for use by the public even by 05 February 2016 due to failure in completing the relevant infrastructure facilities.

Category of Assets	Estimated Value	Value of Work Done	Reason for remaining Idle and Underutilized
-----	-----	-----	-----
	Rs.	Rs.	
Phase 1 - Warakapola Weekly Fair	28,500,000	22,765,600	Even though the constructions of the building had been carried out, infrastructure facilities had not been completed.
Phase 2 - Warakapola Weekly Fair	12,713,100	9,323,150	Even though the constructions of the building had been carried out, infrastructure facilities had not been completed.
Rambukkana Trade Complex	35,246,264	21,877,271	Even though the constructions of the building had been carried out, infrastructure facilities had not been completed.
Kooragala Maternity Clinic	12,154,326	12,154,326	Unavailability of a Doctor.
Total	99,197,379	76,704,036	
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3.7 Non-compliances

- (a) Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

References to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
(i) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----		
• Sub-section 6(2) of Chapter XIX	-	The Government Quarters of the Additional District Secretary, Kegalle had been allocated on 28 June 2000 to a person who is not a public officer and steps had not been taken to repossess it by the District Secretariat even by 20 March 2016.
• Sections 7 and 9 of Chapter XIX	-	Action had not been taken on the failure to hand back the possession of Government Quarters allocated to a Government Executive Officer.
• Sub-section 5(4) of Chapter XIX	12,319	Even though the Government Quarters had been occupied from 20 September 2012 up to 17 December 2015, the outstanding house rent and telephone charges of the Officer had not been recovered.
• Section 6 of Chapter XIX	124,250	The officer had not returned inventory goods valued at Rs.99,400 and recoveries had not been made by adding 25 per cent to the value of those goods.

(b) Non-compliance with Tax Requirements

Even though Pay As You Earn (PAYE) tax should be levied from officers who exceed the monthly earning limit of Rs.62,500 with effect from 01 April 2015, action had not been taken to levy Pay As You Earn tax from the Divisional Secretary, Galigamuwa, whose salary had exceeded that limit.

3.8 Implementation of Projects under Domestic Financing

Instances of projects abandoned without commencing, projects abandoned without completing and the project delays revealed during the course of audit test checks are given below.

(a) Projects Abandoned without Commencing

Even though provisions amounting to Rs.50,000,000 had been made in the year 2015 for the completion of the building of the District Secretariat, constructions of the relevant building had not been carried out.

(b) Projects Abandoned without Completing

Even though the District Secretariat had commenced the following projects, those projects had been abandoned without being completed.

- (i) The project of construction of the bus station at Deraniyagala awarded to a sub-contractor had been completed up to the plastering of the ground floor of a building and cracks had developed on those walls at the time of physical verification. The construction of the other building had been discontinued at the columns level. The estimated value thereof amounted to Rs.44,801,291 and a sum of Rs.17,372,894 had been spent by the time of audit. This project had been abandoned halfway.
- (ii) The estimated value for the project for the construction of the bus station at Thuththiripitiya, commenced under the provisions of the Ministry of Economic Development under the Deyata Kirula Programme in the year 2014, amounted to Rs.23,270,905 and those constructions had been **awarded** to a sub-contractor. Only the concrete slab of the ground floor had been laid at a cost of Rs.9,961,591 by the time of audit of this project. The project had been abandoned without being completed.
- (iii) The estimated value for the construction of 3.25 kilometers of the Dunugama Makadawara Road continued in the year 2015 amounted to Rs.89,462,048. This work had been abandoned by completing only the 2.10 kilometers by the time of audit and a sum of Rs.40,219,565 had been spent thereon. A situation had arisen in which this road could not be used for the intended purpose due to the failure to complete this work.
- (iv) Provisions amounting to Rs.125,546,950 had been made for 05 construction projects implemented in the year 2014 by the Sabaragamuwa Provincial Council under provisions of the Ministry of Economic Development. A total sum of Rs.820,579 comprising Rs.748,415 in the year 2014 and Rs.72,164 in the year 2015 had been paid on an estimate of Rs.3,984,096 for the Ma Oya footbridge scheduled to be constructed over the Ma Oya in the area of the Divisional Secretariat, Aranayake. It was observed at the physical verification carried out on 29 February 2016 that the project had been abandoned halfway only by constructing a column on the bank of the Ma Oya at the side of the main road and a column in the centre of the Ma Oya of the proposed footbridge.
- (v) The estimated value of the construction work of 4.9 kilometers of the Nooriya, Basnagala Palbage Road estimated in the year 2014 and continued in the 2015, amounted to Rs.130,045,804. The work had been abandoned by completing of 3.4 kilometers by the time of audit and a sum of Rs.61,260,893 had been spent for the project by then.

- (vi) The estimated cost of the construction work of Aranayake Trade Complex estimated in the year 2014 and continued in the year 2015 amounted to Rs.81,672,745. The physical progress of this construction which had been discontinued by laying only bases of columns was 10 per cent and the financial progress had been 20 per cent or Rs.13,559,594.
- (vii) The estimated cost for the project on the construction of the Bulathkohupitiya Bus Station which had been estimated in the year 2014 and continued in the year 2015 and awarded to the direct contractors had been Rs.24,028,490. A sum of Rs.11,682,760 had been spent to carry out only the works of putting up the walls of the ground floor and upper floor and fixing the roof by the time of audit. The project had been discontinued without carrying out the remaining work.

(c) Projects not completed

The estimated value of construction of new District Secretariat building with an extent of 9092 square feet comprising 06 floors and 2320 square feet comprising 04 floors had been Rs.495,000,000. Approval had been granted therefor by the Decision of 20 July 2010 of the Cabinet of Ministers. Advances of Rs.91,934,156 had been paid to a certain construction company after assigning the contract of construction for a sum of Rs.294,982,342. A sum of Rs.2,850,123 had been paid to another construction firm in 03 instances for excavating and leveling of the site. Even though the works of the project should have been completed on 10 May 2014, only 03 concrete slabs had been laid on the concrete columns in 03 floors of the building with an extent of 9092 square feet comprising 06 floors and constructions had been abandoned halfway even by 17 May 2016. The following deficiencies were observed in that connection.

- (i) The entire quantity of iron bars bound for the front and back stair cases of the building had decayed.
- (ii) The floor of the ground floor had cracked at the centre.
- (iii) Buttresses as well had not been completed.
- (iv) The contractual amount for the certification of bills for the consultancy service and initial consultation of the project (As consultancy fees for the construction of those two buildings as mentioned above) had been Rs.15,000,000. Out of that, a sum of Rs.9,892,500 had been paid by the time of suspension of the project. That amount had been deposited in the General Deposit Account for a further payment of Rs.4,262,500. Out of the contractual consultancy fees for construction of both these buildings, 94 per cent had been spent and that service had been obtained only for laying 03 concrete slabs on the columns of one building comprising 06 floors out of the two buildings.

(d) Delays in the execution of Projects

Delays in the execution of the following Projects by the District Secretariat were observed.

- (i) A State Corporation had assigned the constructions of the maternity clinic building of Boralankada on an estimated cost of Rs.11,360,262 to a sub-contractor under the sub-contract assignment method. A sum of Rs.4,646,890 or 40 per cent of the estimated provisions had been spent by the time of the

physical verification in February 2016 and the works of the project had been terminated after laying the foundation of the building and constructing walls to a height of about 04 feet.

- (ii) The State Corporation had assigned the Bulathkohupitiya weekly fair construction project to a sub-contractor on an estimated cost of Rs.34,911,653. The financial progress of the constructions of the project had been 17 per cent or Rs.6,096,970 at the time of physical verification and the construction progress had been carried out up to laying the foundation, erecting columns and supplying iron beams and afterwards the work of the project had been terminated.
- (iii) The project on construction of the Crematorium, Bulathkohupitiya had been commenced under an estimated cost of Rs.21,798,622 and work had been discontinued and handed over to a sub-contractor afterwards. Its financial progress at the time of audit had been Rs.11,457,845 or 53 per cent. Even though the examination of the physical progress of work revealed that the constructions of the buildings had been completed, the main works relevant thereto, that is the chimney and incinerator had not been installed
- (iv) Estimates amounting to Rs.12,819,040 and Rs.8,298,276 had been prepared for Stages I and II respectively of the construction of the Dippitya Weekly Fair. Provisions had been made therefor by the Ministry of Home Affairs in the year 2015. The financial progress of the construction work handed over to sub-contractor by the State Corporation had been Rs.5,204,290 or 41 per cent and Rs.4,617,757 or 56 per cent respectively as revealed at the examination carried out in February 2016. However, the work had been abandoned after laying only the foundation and constructing 18 columns as at the time of physical verification.
- (v) The estimated value for the construction of 4.9 kilometers of the Kahawandala Road estimated in the year 2014 and continued in the year 2015 amounted to Rs.93,827,559. Only a distance of 0.8 kilometers had been completed by the time of audit and a sum of Rs.32,387,559 had been paid thereon and work had been abandoned afterwards. A situation in which this road could not be used for the intended purpose due to incompleteness of this work had arisen.
- (vi) The estimated value for the construction of 2 kilometers of the Maliyadda, Meepitiwala Road estimated in the year 2014 and continued in the year 2015 amounted to Rs.53,567,628. This work had been abandoned after completing only 0.4 kilometers by the time of audit and a sum of Rs.15,258,123 had been spent by then.
- (vii) The estimated value for the construction of 3 kilometers of the Sudugala Junction, Arampala, Willangoda Road estimated in the year 2014 and continued in the year 2015 amounted to Rs.75,213,407. This work had been abandoned after completing only 1.7 kilometers by the time of audit and a sum of Rs.28,844,232 had been spent for the project by then.

3.9 Performance

The observations on the progress of the District Secretariat according to the Annual Budget Estimate and Action Plan for the year 2015 are given below.

Key Functions not executed adequately

The key functions of the District Secretariat had not been executed adequately and several instances so observed are given below.

- (a) Provisions amounting to Rs.3,400,074 had been granted for 6 projects for the implementation of Setawul Undun Projects at Kahambiliyagoda Village in the Divisional Secretariat Division, Rambukkana on Korean Government aid in the year 2014. Those projects had not been implemented even by 31 December 2015. As such, that institution had emphasized that the sum of US\$ 110,000 agreed to be granted for the year 2015 had to be suspended and the aid due to be granted by expanding projects including 02 new projects in the year 2015 and 06 new projects in the 02 ensuing years as well will be cancelled.
- (b) Provisions amounting to Rs.9,507,000 had been granted to the Divisional Secretary, Rambukkana by 09 December 2015 under the programme on providing monthly nutritious food for mothers. Out of that, a sum of Rs.7,942,000 had been spent from March to June. The bag of nutritious rations had not been distributed for the 05 ensuing months even by 09 December 2015, the date of audit due to the inadequacy of the balance Rs.1,565,000 for the 05 ensuing months and the failure of the Divisional Secretariat in making requests for additional provisions needed, though required to do so.

3.10 Irregular Transactions

Certain transactions entered into by the District Secretariat deviating from the procedure of Government Procurement Guidelines were revealed. Several such instances are given below.

- (a) Work of 14 projects had been commenced under the provisions of the Ministry of Economic Development under the Deyata Kirula programme in the year 2014 and discontinued afterwards. Moreover, provisions had been made by the Ministry of Home Affairs in the year 2015 for the implementation of that project. The State Corporation had been assigned with the implementation of that project deviating from the Government Procurement Guidelines. That Corporation had assigned that project to the sub-contractors deviating from the Procurement Procedure and without obtaining a formal certificate of competency.
- (b) Even though all information necessary for a bidder should be contained in bidding documents according to Guideline 5.2 of the Government Procurement Guidelines, the information on quotations required by bidders, specifications of the good called, the last date and time of submitting the quotations, the method of submitting quotations and to whom the quotations should be submitted had not been included in the letters of invitation for bids for the purchases made by the District Secretariat.

3.11 Transactions in the Nature of Financial Irregularities

The following observations are made.

- (a) No work whatsoever relevant to Item of Work Nos. G 02 and GD of the estimate relating to the constructions of the Yogama Maternity Clinic had been carried out. Payments amounting to Rs.498,334 had been made by 20 December 2014 for the project.
- (b) Despite failure in carrying out any item of work relating to 20 items of work of the construction of buildings for the Galbokke Maternity Clinic, payments amounting to Rs.619,426 had been made thereon.
- (c) The project on development of the Pahalagama Devala Road had been included under the Programme of Uplifting the Village in line with the Special Development Programme of 100 days of the Ministry of Housing and Construction. Accordingly, an estimate of Rs.375,000 comprising the Government contribution of Rs.300,000 and Rs.75,000 as community contribution for laying concrete on 212 feet of the road for 220 beneficiaries, had been prepared as at 22 June 2015. However, that estimate had been revised at the request of Pahalagama Farmers' Organization and an estimate for Rs.294,000 had been prepared again on 10 September 2015 including only the Government contribution without community contribution and the contract had been assigned to that organization. According to the revised estimate, the distance of the road was 160 feet and 52 feet had been reduced from the previous estimate. The cost had increased by Rs.73,424 due to overestimating of the cost of one foot in the second estimate by Rs.458.
- (d) A sum of Rs.11,862 had been paid for laying ABC mixture to level the road surface under the item of work No.02 for the project on concreting the slope from the Gal Linda, Yatanwala Kanda Road under the Palath Pura Neguma Programme. The ABC mixture had not been laid for that road.
- (e) A sum of Rs.11,680 had been estimated for 08 feet and paid for supplying and fixing hume pipes of 1' 6'' in diameter for flowing of water according to item of work No.06 of the constructions of the embankment of the road by the Yatanwala Temple. However, hume pipes had not been supplied and installed.
- (f) According to instructions under item of work No. 03, payments had been made for 110 feet by estimating for plastering 140 feet of the rubble embankment with 1:5 cement and sand mixture. It was observed at the physical verification that the length of the rubble embankment was only 95 feet and 10 inches. As such, a sum of Rs.61,493 had been over paid.
- (g) Even though 120 feet had been concreted according to the plan for concreting 02 impassable places of the Kotalukanda Road across the Thalwatta Temple, according to the report, payments had been made for 254 feet under item of work No.03. Moreover, the remaining length of 134 feet was shown at a place located on another road not shown in the plan (Map) at the physical verification and those places had been less by 02 feet than that shown in measurement reports indicating those places.

3.12 Losses and Damage

A double cab vehicle owned by the Divisional Secretariat, Warakapola had been damaged due to an accident. A person had been convicted by the Court and legal action had not been taken to recover a sum of Rs.110,050 to be recovered further from him.

3.13 Management Weaknesses

A sum of Rs.2,163,050 had been received from various Government institutions for the payment of compensation relevant to acquisition of lands on either sides for construction of roads. Even though all road constructions had been completed, that money had been retained in the Deposit Account without paying compensation to the relevant land owners.

3.14 Human Resources Management

Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
	-----	-----	-----	-----	-----
(i)	Senior Level	43	38	5	-
(ii)	Tertiary Level	30	23	7	-
(iii)	Secondary Level	1,047	1,014	38	5
(iv)	Primary Level	106	112	06	12
	Total	1,226	1,187	56	17
		=====	=====	=====	=====

The following observations are made.

- (a) There were 37 Staff Development Officers, 38 Economic Development Officers and 07 Development Officers in excess in the staff of the Divisional Secretariat, Ruwanwella and recruitment had not been made for 07 vacancies relating to 06 essential posts such as Technical Officer, Translator, Grama Niladhari and Information Communication Officer. Even though appointments had been made for 07 posts of Development Officer, 01 post of Technical Assistant, 38 posts of Economic Development Officer and 37 posts of Development Officer, action had not been taken to obtain approval for those posts.
- (b) One hundred and eighty six persons comprising 47 Field Officers, 70 Development Officers deployed in the service of the office and the field and 70 Samurdhi Officers relating to other departmental appointments had been deployed in service in the Divisional Secretariat, Dehiowita, without obtaining approval for the cadre.