

## **Report of the Auditor General on Head 279 – District Secretariat – Kegalle Year 2016**

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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 2016 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 22 June 2017. 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 test 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**

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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**

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### **2.1 Appropriation Account**

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#### **(a) Total Provision and Expenditure**

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The total net provision made for the District Secretariat amounted to Rs.832 .00 million and out of that Rs.779.82 million had been utilized by the end of year under review. Accordingly, the saving out of the total net provisions of the District Secretariat amounted to Rs. 52.18 million or 6.27 per cent. Details are given below.

Expenditure	As at 31 December 2016			Savings as a percentage of Net Provisions
	Net provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	636.00	624.35	11.65	1.83
Capital	196.00	155.47	40.53	20.68
Total	832.00	779.82	52.18	6.27

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

Provisions totalling Rs.2,069 million had been made available by 27 Ministries and 17 Departments for various activities. Out of that, provisions amounting to Rs. 1,812 million had been utilized by the end of year under review. Accordingly, the savings out of the provisions made, amounted to Rs.257 million and represented 12 per cent.

**2.2 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.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million
42.00	41.74	32.00	39.96	145.00	136.48

**2.3 General Deposit Accounts**

The balances of 4 Deposit Accounts under the District Secretariat as at 31 December 2016 totaled Rs.522.95 million. Details appear below.

Deposit Account Number -----	Balance as at 31 December 2016 -----
	Rs. Million
6000/0000/00/0002/0067/000	24.93
6000/0000/00/0013/0037/000	76.64
6000/0000/00/0017/0004/000	37.40
6000/0000/00/0016/0019/000	<u>383.98</u>
Total	<u>522.95</u>

## 2.4 Audit Observation -----

The Appropriation Account and the Reconciliation Statements of the District Secretariat, Kegalle for the year ended 31 December 2016, 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 Appropriation Account -----

#### Budgetary Variance -----

Excess provisions had been made for 03 objects and as such the savings, after the utilization of provisions, ranged from 11.9 per cent to 35.5 per cent of the net provisions relating to the respective Objects.

### 3.2 Utilization of Provisions made available by other Ministries and Departments to the District Secretariat -----

The savings after utilization of the provisions had been given to the District Secretariat for various functions during the year under review by 12 Ministries and 10 Departments ranged from 11 per cent to 67 per cent of the net allocation.

### 3.3 Reconciliation Statement of the Advances to Public Officers Account -----

- (a) According to the Reconciliation Statement as at 31 December 2016 relating to the advances of the Public Officers Account No.27901, the total of the balances that remained outstanding as at that date was Rs.433,613 . Even though those outstanding balances remained over periods ranging from 04 years, the District Secretariat had not taken action to recover those outstanding loan balances.

**3.4 Good Governance and Accountability**  
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**3.4.1 Annual Action Plan**  
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The District Secretariat had not prepared the Annual Action Plan for the year under review in terms of the Public Finance Circular No.01/2014 of 17 of February 2014.

**3.4.2 Annual Procurement Plan**  
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The detailed procurement plan in terms of the National Budget Circular No.128 of 24 March 2006 had not been prepared for the year under review.

**3.4.3 Annual Performance Report**  
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The annual performance report should be tabled in the parliament by the District Secretariat within 150 days after end of the financial year in terms of Public Finance Circular No.402 of 12 September 2002. However the report for the year under review had not been tabled in the parliament until 23 June 2017 by the District Secretariat.

**3.5 Non – Compliances**  
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(a) Non-Compliance with Laws, Rules and Regulations  
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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 -----	Non-Compliance -----
	Rs.	
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----		
Sub -Section 1.1 and 6 (2)of Chapter XIX	160,776	Although the scheduled quarters assigned to a particular post or grade should be allocated only to officers serving in the post, the official quarters of the Additional District Secretary in Kegalle which was given to the outside party in the year 2000 had been reallocated to the relevant officer on 16 <sup>th</sup> June 2017. However, no action had been taken to recover the outstanding rent of the said government quarters up to May 2017.

(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

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Financial Regulation 703 (2) (b) 1,267,157 Contrary to the financial regulations the project of the development of Kiuldeniya Ekamuthugama Play ground had been constructed by awarding sub contracts.

(c) Budget Circulars

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The letter number bearing No-III 2,512,260 As per above letter, the market price of the motorbike should be recovered from the field officer concerned at the time of transfer of a field officer to a post not entitled to this facility, resigning from the post, suspension of the service of a field officer, premature retirement of a field officer, However, no action had been taken on 18 such officers of 04 Divisional Secretariats.  
BD/GPS/130/9/14MC-III dated on 06 January 2016

### 3.6 Implementation of Projects under Domestic Funds

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

#### Projects abandoned without completing

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The project of construction of New building of the District Secretariat building had been commenced in the year 2011 at the estimated cost of Rs.294, 982,342 and construction works had been planned to complete by 10 May 2014. A sum of Rs.77,119,833 had been incurred as at 31 December 2016. This work had been abandoned after completing only 10 per cent of the construction works by the contractor. The entire quantity of iron bars laid for the front and back stair cases of the building had decayed and the ground floor of the building had cracked in the middle.

### 3.7 Performance

#### ----- Key Functions not executed adequately -----

Supplementary Provisions amounting to Rs.100 million had been obtained for reconstruction of 37 Sabaragamuwa Provincial Council roads damaged due to floods and landslides occurred in October 2016 in Kegalle District. Out of that provision construction works of 7 roads estimated at Rs.20,715,000 had not been carried out due to non-receipt of quotations. Construction works of 11 roads estimated at Rs.33,493,305 had been continued for the year 2017 due to insufficient time.

### 3.8 Transactions with contentious nature

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Some transactions made by the District Secretariat were highly controversial. Details in respect of such transactions detected through sample audit test are given below.

- (a) An agreement had been entered into with Kiuldeniya Rural Samurdhi Society by the Warakapola Pradeshiya Sabha in order to carry out development project of Kiuldeniya Ekamuthugama Playground assigned to the sabha. A feasibility study had not been conducted in this regard prior to commencement of the project. Even though , a sum of Rs. 1,267,157 had been paid to the society assuming that the project had been completed successfully, as at 9 February 2017, the date of auditing, the playground had not been developed up to a playable condition. Further the following shortcomings were observed in implementing this work.
  - i. In terms of the section 07 of the agreement, Damages caused to the properties of third parties should be mended by the contractor. However damage caused to drinking water well and cannels during the Construction of this playground had not been repaired to the original condition.
  - ii. The work pertaining to the 4 items of the BOQ of the project had been completed understating by Rs.384,344 and particular item of the BOQ for the value of Rs.18,060 had not been completed in full and a sum of Rs.737,850 had been over paid for another 02 items of the BOQ .
  - iii. Although soil had been excavated from a land owned by the Land Reform Commission in order to filling the ground, no written approval had been obtained for soil excavation.
  - iv. Although, Specification requirement (HSR) on providing the soil for the road construction under the BOQ item No. 06 had not been followed, a sum of Rs.1,092,000 had been paid for 364 soil cubes at a rate of Rs.3,000 per cube for supply and transport of soil .
  - v. The total quantity of the soil needed to fill the playground had been estimated as 120 soil cubes. However in making payments, It had been mentioned in the final bill that 364 soil cubes had been utilized. Further measurement report certified by the authorized officer in respect of the quantity of soil supplied had not been submitted for audit.
  - vi. Though the construction of a retaining wall with a distance of 140 feet in the playground had been estimated, it had been constructed reduced upto distance of 76 feet.

- (b) Provisions of a sum of Rs.779,393 for excavation of cubic meters 1,146 distance and concrete surfacing of cubic meter 37.57 distance had been given by the Ministry of Disaster Management for construction of the access road and internal roads of Malandeniya land which was selected to settle displaced persons at Deraniyagala Divisional Secretary's Division. An agreement had been entered to complete the above construction work within a shorter period of time of six days. Concrete surfacing had been completed only for a distance of 390 feet. Places of which low quality concrete mixtures used and concrete surfacing places where the concrete layers were damaged and road shoulders were not filled by using excavated soil had been revealed on physical test in audit. Bill of Quantity (BOQ) for work of surfacing concrete had been prepared for an estimated value Rs.558,671. Awarded contract price was Rs.535,593. However in making payment a sum of Rs.656,537 had been paid to the contractor exceeding the contract value by Rs 120,944 . Further it was observed that due to non-proper supervision of the contract work, some areas were in danger for lives and properties as well owing to the huge incline of the starting section of the road.

### **3.9 Informal Transactions**

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Certain transactions made by the District Secretariat were irregular. Several such instances observed are as follows.

- (a) The expenditure incurred on utilization the provision of Sports Ministry to develop the Miyanawitawaththa Shakthi Playground and Udabagewatta Gandhi Nagar Playground located at the Deraniyagala Divisional Secretary's Division were Rs.418,034 and Rs.395,660 respectively.
- (b) An agreement had been entered with Rs.6.1 million contract value with a private contractor for the construction of access road from Bakulwala School to the land which selected to settle displaced person utilizing provision given by the Ministry of Disaster Management. In this estimate works on BOQ item No 2 agreed for a sum of Rs.1 million had not been completed and 20 Nos works had been completed lowering the quantities against the agreed quantities .In particular item work had been completed in excess against the estimate, an amount of Rs.1,021,202 had been paid in excess to the contractor. Further it was revealed that the contractor had not been repaired the road to the well and the fence which were blocked and removed while construction of the road utilized by school children.
- (c) In the years 2013 and 2014 District Secretariat had paid an amount of Rs.4,240,000 to a private company for the supply and install of two solar power system with 28 panels and 30 panels. However 2 panels relating to the one solar power system had not been installed. As such the objective of savings electricity usage had not been achieved.

### 3.10 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 are as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
i. Senior Level	43	39	04	-
ii. Tertiary Level	30	21	09	-
iii. Secondary Level	1,048	974	75	01
iv. Preliminary Level	118	104	26	12
Total	1,239	1,138	114	13

The Following observations are made.

- (a) The post of Accountant of Bulathkohupitiya Divisional Secretariat , the post of Translator of Deraniyagala, Aranayaka and Ruwanwella Divisional Secretariats and the post of Administrative Officer of Deraniyagala Divisional Secretariat had been vacant since 1 September 2014, year 2014 and 17 April 2014 respectively. District Secretariat had not taken action to fill those vacant posts, even though the, situation affected severely to the official works.
- (b) An excess of 12 employees including 3 drivers existed due to not amending the approved cadre to suit the new vehicles of the District Secretariat and not implementing the promotion scheme of the primary level officers systematically.