

Report of the Auditor General on Head 255 – District Secretariat, Colombo – Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 255 – District Secretariat, Colombo 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 14 July 2017. 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 Responsibilities 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 in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance 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

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the District Secretariat, amounted to Rs.1,692.00 million and out of that Rs.1,358.21 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.333.79 million or 19.73 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	738.00	722.42	15.58	2.11
Capital	954.00	635.79	318.21	33.36
Total	1,692.00	1,358.21	333.79	19.79

(a) **Utilization of Provisions made available by Other Ministries and Departments**

Provisions totalling Rs.3,361 million had been made available by other 23 Ministries and 20 Departments for various activities for the District Secretariat. Out of that a sum of Rs.3,358 million had been utilized by the end of the year under review. Accordingly, the savings out of the provisions made, amounted to Rs.3 million or 0.08 per cent.

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the District Secretariat, Under Item No. 25501 and the actual amounts 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
47.00	46.85	34.00	42.68	210.00	154.59

2.3 General Deposit Accounts

The balances of 08 Deposit Accounts of the District Secretariat as at 31 December 2016 totalled Rs.580.40 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs.Millions
6000/0000/00/0002/0075/000	0.34
6000/0000/00/0001/0057/000	1.74
6000/0000/00/0017/0006/000	239.75
6000/0000/00/0013/0046/000	70.44
6000/0000/00/0016/0026/000	252.46
6000/0000/00/0018/0061/000	6.08
6000/0000/00/0019/0011/000	4.11
6000/0000/00/0001/0000/000	5.48
Total	<u>580.40</u>

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the District Secretariat, Colombo had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Books and Records

It was observed during audit test checks that the District Secretariat had not maintained the following registers in the proper and updated manner.

Type of Registers	Relevant Regulation
-----	-----
(a) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978.
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.
(c) Register of Electrical Equipment	Financial Regulation 454(2)
(d) Vehicle Log Books	Financial Regulation 1645 (a)
(e) Register of Listing of Motor Vehicles	Financial Regulation 1647 (e)
(f) Register of Bid Invitation	Guideline 5.2.1 of the Government Procurement Guidelines.

3.2 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) Excess provisions had been made for 04 Objects, and as such the savings after the utilization of provisions ranged from 22 per cent to 59 per cent of the net provisions relating to the respective Objects.

- (b) As the additions and deductions amounting to Rs.55,138,500 had been made according to the Financial Regulations 66 and 69 for 11 and 19 Objects included in the estimated provisions in the year under review and a sum of Rs.17,000,000 had been obtained through Supplementary estimates provisions for one Object it was observed that the forecasting for required financial provisions and making estimates had not been made accurately.

3.3 General Deposit Account

There was no balance in the General Deposit Account No.6003/0000/00/0001/0000/000, according to the Departmental books but according to the Treasury books there was a debit balance amounting to Rs.10,000,000. Action had not been taken up to now by the District Secretariat to settle this debit balance which should be settled to the Treasury. Even though, the Secretary to the Ministry of Finance and Secretary to the Ministry of Home Affairs had been directed by the Committee on Public Accounts held on 26 January 2017 to appoint a committee to make investigations thereon, action had not been taken to appoint that committee up to now.

3.4 Reconciliation Statement of the Advances to Public Officers Account

The following matters were observed during the course of audit test checks of the Reconciliations Statement as at 31 December 2016 relating to the Advances to Public Officers Account, Item No.25501.

The loan balances remained outstanding as at 31 December 2016 totalled Rs.4,633,206 and out of that a sum of Rs.277,353 had been recovered by 30 June 2017 and as such loan balances remained outstanding as at that date totalled Rs.4,355,853. Even though, those balances remained outstanding for a period ranging from 1 month to 20 years, the District Secretariat had failed to recover those loan balances.

- (i) Out of the total loan balance of Rs.4,633,206 recoverable as at 31 December 2016 the loan balances amounting to Rs.2,842,745 had been the balances of 20 officers who were interdicted from the year 1997 to 2015. Further, out of the total loan balance outstanding, a loan balance of Rs.3,026,802 had remained outstanding for over 05 years and that was 65 per cent of the total outstanding loan balance.
- (ii) Loan balances of Rs.154,585 had been over recovered from the officers in the year under review and preceding years and action had not been taken up to now to pay back the money over recovered and to rectify the entries in respect of the recovery of loans.

3.5 Good Governance and Accountability

The accounts prepared on the accrual basis in terms of the letter of the Director General of Public Accounts addressed to all Secretaries of the Ministries Heads of the Departments and District Secretaries No.SA/AS/AA Circular, dated 23 January 2013 had not been furnished to audit even by 30 April 2016.

3.6 Assets Management

(a) Assets given to External Parties

The land and the building in which situated the old office of the Divisional Secretariat, Maharagama had been irregularly released to the Agrarian Services Committee, Maharagama since about 05 years.

(b) Irregular use of Assets not Vested

The Divisional Secretariat, Maharagama had constructed a new building for the Secretariat on a land belonging to the Sri Lanka Transport Board without causing proper vesting of the land.

(c) Vehicle Maintenance

Even though, it was instructed by the Public Administration Circular No.30/2016 of 29 December 2016 to check the fuel consumption of the vehicles once in every 06 months to avoid misappropriation of using of fuel and to utilize with transparency, such a test had not been carried out for the vehicles of the Divisional Secretariats, Kaduwela, Hanwella, Moratuwa and Kesbewa.

3.7 Unsettled Liabilities

The unsettled liabilities of the District Secretariat less than one year old as at 31 December 2016 totalled Rs.745,578. Even though, the savings had been Rs.112,773 after the utilization of provisions made for 06 Objects, the liabilities amounting to Rs.711,813 had been incurred exceeding that savings by a sum of Rs.599,040.

3.8 Implementation of Projects under Domestic Financing

(a) Projects abandoned without Commencing

Thirteen projects which estimated value amounting to Rs.4,172,460 expected to be implemented by the Divisional Secretariats, Colombo, Thimbirigasyaya, Sri Jayawardhanapura Kotte, Ratmalana and Moratuwa during the year under review had

been abandoned without commencing due to the reasons such as weaknesses in planning, poor supervision of the Divisional Secretariats, inadequacy of time notified by the contractors and due to absence of the tenderers. Provisions of Rs.3,922,580 had been released by the District Secretariat to Divisional Secretariats for those 13 projects.

3.9 Performance

(a) The observations on the progress of the implementation of the Capital Projects according to the Decentralized Budget Programme of the Divisional Secretariat, Kaduwela in the year 2016.

(i) Key Functions not executed Adequately

There are 57 Grama Niladhari divisions in the area of the Divisional Secretariat, Kaduwela and decentralized budget provisions amounting to Rs.38,675,000 had been allocated for that divisions to implement capital projects. Nine Grama Niladhari Divisions had not implemented the projects for which the provisions had been allocated directly during the year under review. Forty four Grama Niladhari Divisions had implemented the projects ranging from 01 to 07 while 04 Grama Niladhari Divisions had implemented 09, 14, 18, 19 projects respectively. However, a difference was observed in implementation of development activities through decentralized budget provisions and it was observed that those benefits had not been distributed reasonably among the people living in the Divisional Secretariat Divisions as well.

(b) Construction of the Toilet System of the Old Nalandian Teachers Village (Rs.800,000)

The Divisional Secretariat, Kaduwela had informed that the project of construction of the Toilet System of the Old Nalandian Teachers Village might not be an effective project, before commencing the project. Even though, it was completed in the year under review by incurring a sum of Rs.776,682 out of the provisions of Rs.800,000 allocated for the above project, on the approval of the District Secretary Colombo, it was observed in audit that above toilet system had not been utilized up to now.

3.10 Irregular Transactions

Deviation from the Government Procurement Guidelines Procedure

The following matters were observed during audit test checks carried out in respect of the procurement activities of the Divisional Secretariat, Kaduwela.

(i) Action had not been taken to obtain quotations from all registered suppliers for the projects in terms of the Guideline 3.2 of the Government Procurement Guidelines.

- (ii) The reasons for selection of suppliers who quoted higher prices and rejected the suppliers who quoted lowest prices had not been described separately in the reports of the Technical Evaluation Committee in terms of the provisions of the Guideline 2.6.1 of the Government Procurement Guidelines and it was observed in audit that the reports of the Technical Evaluation Committee had not been prepared separately for every project properly.

3.11 Losses and Damages

Even though, the losses and damages in respect of 10 incidents less than 05 years amounting to Rs.93,227,459 and 5 – 10 years amounting to Rs.146,016 had been shown in the Appropriation Account for the year under review, action had not been taken either to recover or to write off the losses and damages amounting to Rs.93,346,613 even by 05 June 2017.

3.12 Management Weaknesses

- (a) The following observations are made in respect of the payments of pensions by 13 Divisional Secretariats belonging to the area of the District Secretariat, Colombo from the year 2012 to 2016.

- (i) In payments of pensions from the year 2012 to 2016 by 13 Divisional Secretariats, sums totalling Rs.13,117,482 had been over paid as at 30 June 2017. Details are as follows.

Particulars	Payment of Pensions
-----	-----
	Rs.
Widows and Orphans Pensions	5,170,737
Civil Pensions	7,683,090
Pensions of Army Officers	263,655

Total	13,117,482
	=====

- (ii) The total value of the Widows and Orphans Pensions, Civil Pensions and Pensions for Army Officers over paid and action had not been taken to recover even by 30 June 2017 amounted to Rs.13,117,482. The age analysis thereon is shown below.

	Value

	Rs.
Less than 01 year	7,622,799
Between 01 – 05 years	4,191,080

Over 05 years	990,389
Unrecoverable Losses	313,214

Total	13,117,482
	=====

- (b) Action had not been taken to recover pensions valued at Rs.6,092,261 paid after the death of the pensioners by the Pension Divisions in respect of 10 Divisional Secretariats during the period from the year 2012 to 2016 even by 30 June 2017.
- (c) Even though, the Divisional Secretariat, Kaduwela should prepare a methodology to take follow up action on the utilizing of the knowledge obtained after a training programme, a proper follow-up methodology had not been implemented for evaluation of the progress of the self-employment training programme for women conducted by incurring a sum of Rs.1,200,000 even by the date of audit.

3.13 Human Resources Management

Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	50	45	05
(ii)	Tertiary Level	33	21	12
(iii)	Secondary Level	1,224	1,044	180
(iv)	Primary Level	137	114	23
	Total	<u>1,444</u>	<u>1,224</u>	<u>220</u>