

Report of the Auditor General on Head 258 –District Secretariat Kandy - Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the District Secretariat Kandy -Head 258 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 02 August 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 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 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. The responsibility includes; designing, implementing, 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 Kandy amounted to Rs. 1,231.00 million and out of that Rs. 1,216.74 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the District Secretariat amounted to Rs. 14.26 million represented 1.16 per cent of the net provisions. Details are given 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	1,132.00	1,118.42	13.58	1.20
Capital	99.00	98.32	0.68	0.69
Total	1,231.00	1,216.74	14.26	1.16

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

Provisions totalling Rs.1,530.10 million had been received from 21 other Ministries ,15 Departments and for various activities. Out of this, provisions of Rs.1,440.72 million had been utilized at the end of the year under review. Accordingly, provisions of Rs.89.38 million or 5.8 per cent from the provisions provided had been saved.

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account item No.25801 of the District Secretariat Kandy and the actual values 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
70.00	66.77	50.00	63.57	240.00	196.14

2.3 General Deposit Accounts

The balances of the 06 General Deposit Accounts of the District Secretariat Kandy as at 31 December 2016 totalled Rs.857.73 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs.Million
6000/0000/00/0001/0044/000	0.29
6000/0000/00/0002/0059/000	1.91
6000/0000/00/0013/0025/000	35.94
6000/0000/00/0016/0006/000	679.02
6000/0000/00/0017/0001/000	137.51
6000/0000/00/0018/0007/000	3.06
Total	857.73

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements of the District Secretariat for the year ended 31 December 2016, had 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 audit observations out of the audit observations included in the Management Audit Reports appear in paragraph 3 .

3. Material and Significant Audit Observations

3.1 Lack of Evidence for Audit

Due to the files relevant to 05 Projects which the maintenance period completed at the Divisional Secretariat Gangawata Korale , the transactions relevant to a sum of Rs.1,050,000 had not been presented to audit ,those could not be satisfactorily vouched in audit.

3.2 Appropriation Account

3.2.1 Budgetary Variance

Excess provision had been made for 04 Objects and as such the savings, after the utilization of provisions, ranged between 18 per cent to 36 per cent of the net provisions relating to the respective Objects.

3.2.2 Provisions Provided by Other Ministries , Departments and Offices

A time delay from 03 years to 21 years had been observed in the activities of acquisition of lands for 05 Projects at the audit test check carried out on 06 June 2016 relevant to acquisition of lands in the Divisional Secretariat Deltota.

3.3 Reconciliation Statement on the Advances to Public Officers Account

According to the reconciliation statement made available to audit, the balances that remained outstanding as at that date totalled Rs.1.56 million and those outstanding balances had continued to exist over a period from 06 months to 13 years. The District Secretariat, Kandy had failed to recover those outstanding loan balances.

3.4 Non-compliance

Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with laws, rules and regulations observed at audit text checks are analyzed and shown below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka -----		
(a) Financial Regulation 386(5)	427,452	The Divisional Secretariat Gangawata Korale had entered the value of two cheques without signatures which were written for the contractors had been entered in the cash book as payments and had been retained in the Development Division even as at 06 January 2017 ,the date of audit.
(b) Guideline for Divisional Secretariat Services -----		
Guideline 11.4(iv)	27,633	Even though it had been stated that a license fee of 1.15 per cent should be charged from the value of the property for the valuation reports issued by the Divisional Secretariats, revenue totalling Rs.27,633 had been lost to the Government as only 1 per cent had been charged in the issuing of valuation reports in the years 2014, 2015 and 2016 by the Divisional Secretariats Kandy, Kadawath Sathara and Gangawata Korale.

3.5 Implementation of Projects under Domestic Financing

The following observations are made in respect of implementation of Projects.

(a) Projects abandoned without Commencing

The following Projects had not been commenced.

Divisional Secretariat	Project	Estimated Cost	Reasons for non-commencing
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		Rs.	
Hataraliyadda	Development of the bridge across the Hataraliyadda Kuda Oya -2016	300,000	Inflexible objection of the land owner
Yatinuwara	Development of the Samagi Mawatha at Bathgoda	350,000	Existence of a problem in the private land owners in respect of this Project implemented by the Pradeshiya Sabha Yatinuwara.
	Development of the road at Atalathahena	300,000	Provisions not adequate.
Total		950,000	
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(b) Mentioning the Retention Money

A Technical Report on the condition of the current status of the contract for the payment of the retention money from the contracts completed should have been obtained. However, 2 months and 12 months had been elapsed by the end of the year under review for the 02 Projects in the year 2014 and 13 Projects in the year 2015 respectively in the Divisional Secretariat Gangawata Korale, after completion of the work, action had not been taken to obtain Technical Reports.

3.6 Transactions with Contentious Nature

Certain transactions entered into by the District Secretariat had been of contentious nature. Particulars of several such instances observed during the course of test checks appear below.

- (a) The contractor had informed on 31 December 2016 as the work of a Project belonging to the Divisional Secretariat Gangawata Korale was completed, signatures had been placed without dates by the Architect, Technical Officer and the Divisional Secretary for the final bill of that Project. Further, a sum of Rs.175,229 had been paid in that connection on 31 December 2016.

- (b) The following deficiencies were revealed at audit test check carried out in respect of the construction of a three storied building with an Auditorium in the premises of the District Secretariat.
- (i) A delay charge of Rs.10,899,274 had not been charged from the contractor due to the relevant Project had not been completed and handed over in due date.
 - (ii) A sum of Rs.5,124,161 had been paid to the contractor for the price variance due to the time period of the contract extended abnormally as a result of non-submission of the plans should be submitted by the Supervisory Institution.
 - (iii) A sum of Rs.6,614,701 had been paid on 15 July 2016 for the Buildings Department for the supply of advisory services having being the errors such as a proper advisory service not provided and the relevant plans had not been presented in due period.
- (c) The following deficiencies were revealed in the supply and fixing a generator in the Project for the construction of a new Auditorium in the District Secretariat Kandy.
- (i) The procurement procedure had been delayed abnormally as 4 months and one month respectively from the date of opening the bids.
 - (ii) Action had not been taken to supply and fixing the machineries according to the procurement plan and a procurement time table.
 - (iii) Idle expenditures of Rs.21,229 had been made from the calling for bidding to the awarding of bidding due to the bidder had not been entered into the agreements.
- (d) The following deficiencies had been revealed in the fixing of air conditioning system in the Project for the construction of the new Auditorium of the District Secretariat Kandy.
- (i) Bids had been opened without inviting the bidders in another day instead of being opened the due date of open the bids.
 - (ii) A time delay had been existed from the opening of bids up to awarding of bids.
 - (iii) Even though the bid had been awarded to the selected bidder, he had not been taken action to enter into a legal agreement . However, any action had not been taken against the bidder .
 - (iv) As a result of not entered in to an agreement ,action had not been taken to confiscate the bid security of Rs.350,000 bid by the bidder .
 - (v) Despite the bidder who selected as the successful contractor had not been taken action to entered into a legal agreement, the contract had been awarded again to the persons who breach the trust without being signed the contract by validating the bids called in the year 2015 up to the year 2016.
 - (vi) A sum of Rs.128,780 had not been charges as delay charges.

3.7 Losses and Damage

Even though a time period ranged between 2 years to 16 years had been elapsed from the losses amounting to Rs.3,420,125 occurred for 08 vehicles in 05 Divisional Secretariats of the District Secretariat ,action had not been taken in terms of the Financial Regulations.

3.8 Management Weaknesses

Even though the Savings Accounts of the minors should be released after completion of their ages , the Savings Accounts of 8 minors who completed the age ranged between 18 years and 5 months and 33 years and 2 months by 19 November 2016 the date of the Audit examination carried out ,had been remained in the safe of the Divisional Secretariat Udunuwara.

3.9 Human Resources Management

Approved Cadre and the Actual Cadre

The position relating to cadre as at 31 December 2016 is as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	82	78	4	--
(ii)Tertiary Level	48	40	12	4
(iii)Secondary Level	3,362	3,098	264	--
(iv)Primary Level	206	160	46	--
Total	3,698	3,376	326	4