

## **Head 255 - Report of the Auditor General of the District Secretariat, Colombo – Year 2017**

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The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to audit by the District Secretariat, Colombo. The financial and physical performance reflected from the account and the reconciliation statement were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer and the Accounting Officer**

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The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

### **1.3 Scope of Audit**

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The audit of the District Secretariat, Colombo – Head 255 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the District Secretary on 12 July 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

#### 1.4 Audit Observation

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The audit observations of the District Secretariat, Colombo for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.17 of this report. It was observed that the accountability as the Accounting Officer had been satisfactorily performed as to ensure the adequacy of the financial control, subjected to the audit observations summarized in the under mentioned table revealed in execution of provisions of Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

<b>Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)</b>	<b>Non-compliance with that Provision by the Accounting Officer</b>	<b>Reference to the Paragraph included Observation</b>
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Financial Regulation ----- 128(1)(a)	The work of his Department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized and that an endeavour is made, to complete the programme of work laid down for the year and/ or to attain the targets specified.	1. The Action Plan had not been prepared properly. 2.3 2. Failure to plan procurement activities properly. 2.6 3. Deficiencies in preparation of imprest estimates. 2.12 4. Uneconomic Transactions 2.8 5. Internal Audit 2.15 6. Human Resources Management 2.16
128(1)(b)	The organization for the financial control and accounting in his Department is effective and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues and bringing to account of monies received, the authorisation of	Management Weaknesses 2.9

commitments on behalf of the Government, the supervision and examination of services and supplies rendered and the prompt and correct payment therefore from public funds.

128 (1)(c)	The Financial Regulations and other Supplementary instructions of the Government are adhered to in his Department and that they are supplemented by Departmental instructions where necessary.	1. 2.	Non-maintenance of Registers and Books Balances for Adjustments	2.14 2.13
128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and where they are disposed of such disposal is according to prescribed Regulations and instructions.	1. 2.	Deficiencies in Annual Boards of Survey Deficiencies in assets management	2.4(b) 2.4
128(1)(h)	Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their money.		Recovery of outstanding loan balances in the Advances to Public Officers Account.	2.11
128 (1)(i)	The activities of his Department are under taken with due regard to economy, efficiency, propriety and integrity expected in the transaction of public business.	1. 2. 3.	Irregular Transactions Uneconomic Transactions Deficiencies mentioned in Appropriation Account.	2.6 2.8 2.10(a)

128(1)(j)	Any expenditure or commitment incurred falls within the scope and limits of his votes or other authorized financial provision and is covered by adequate authority.	Commitments and liabilities	2.5
128(1)(n)	Officers liable to provide security do so in terms of the law and instructions in force.	Deficiencies in obtaining security from respective officers	2.11
128 (1)(o)	The procedure laid down in Financial Regulations 103 to 108 is adhered to in case of losses to Government by the delays, negligences, faults or frauds on the part of officers/ employees and surcharges are imposed on officers/ employees responsible for such losses in terms of FR 156(1) (Adhere adequate provisions for the responsibility will be his special role of duty.)	1. Irregular use of assets not vested 2. Losses and Damage	2.4(d) 2.7

**2. Material and Significant Audit Observations**

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**2.1 Key Activities of the District Secretariat**

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- (a) To establish a co-ordination network consisting of Government and non-government organizations.
- (b) To establish a social conservation through social welfare and cultural programmes
- (c) An infrastructure facilities structure based on people requirements.
- (d) An efficient and effective district administration system.

## 2.2. Institutions under the District Secretariat and Activities to be carried out

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Institutions established under the District Secretariat and the role of those institutions are given below.

<b>Institutions under the District Secretariat</b>	<b>Authority for the Establishment</b>	<b>Role of the Institution</b>
Divisional Secretariat, Colombo Divisional Secretariat, Homagama Divisional Secretariat, Maharagama Divisional Secretariat, Kaduwela Divisional Secretariat, Seethawaka Divisional Secretariat, Padukka Divisional Secretariat, Sri Jayawardenapura Kotte Divisional Secretariat, Dehiwala Divisional Secretariat, Moratuwa Divisional Secretariat, Thibirigasyaya Divisional Secretariat, Ratmalana Divisional Secretariat, Kolonnawa Divisional Secretariat, Kesbewa	Act No.58 of 1992 of the Establishment of the Divisional Secretariats.	Execution of Public Services

## 2.3 Performance

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### Planning

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The following deficiencies were observed on the Action Plan prepared by District Secretariat, Colombo and the Divisional Secretariats for the year 2017 in terms of Public Finance Circular No.01/2014 dated 17 February 2014.

- (a) The updated organisational structure for the year under review had not been included in the Action Plans prepared by the 10 Divisional Secretariats and the details of approved and actual cadre of the District Secretariat, and 10 Divisional Secretariats had not been furnished.
- (b) The details of the internal audit plan had not been included in the Action Plan relating to the District Secretariat and 13 Divisional Secretariats.
- (c) At the examination of Action Plans of the District Secretariat, Colombo and the 13 Divisional Secretariats it was observed the instances of not matching each other.

## 2.4 Assets Management

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The following deficiencies were revealed during the course of audit test checks on the assets of the District Secretariat.

### (a) Motor Vehicle Utilisation

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The following observations are made.

- (i) The number of Kilometers performed during the year 2017 relating to 09 motor vehicles utilized by the District Secretariat and one motor vehicle of the Divisional Secretariat, Kesbewa had not been furnished to audit.
- (ii) The details relating to utilisation of motor vehicles of the Divisional Secretariat, Thimbirigasyaya had not been furnished to audit.
- (iii) Twenty three motor vehicles had existed in 12 Divisional Secretariats as at the end of the year under review and 342,977 kilometers had been performed from those motor vehicles. A sum totalling Rs.10,014,650 had been incurred thereon comprising Rs.3,699,800, Rs.984,567, Rs.3,010,147, Rs.1,130,924 and Rs.1,189,212 for fuel and lubricants, services of motor vehicles, repairs of motor vehicles, insurance of motor vehicles and other expenses respectively.

### (b) Conduct of Annual Boards of Survey

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The Boards of Survey relating to the year under review had been conducted and the Reports of the Boards of Survey had been furnished to the Auditor General. The following observations are made in this connection.

- (i) The deficiencies in documentation, balancing, maintaining and categorisation of inventory books were shown.
- (ii) The sub inventories had not been maintained in each sections of the Divisional Secretariats.
- (iii) It was observed that there were goods which had not been included in the inventory books.

### (c) Assets given to External Parties

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The old building and the land of the Divisional Secretariat, Maharagama had been irregularly released to the Maharagama Agrarian Services Committee.

- (d) Irregular use of Assets not vested  
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The Divisional Secretariat, Maharagama had constructed the new Divisional Secretariat building in a land belonging to the Sri Lanka Transport Board without being vesting formally.

## **2.5 Commitments and Liabilities**

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The liabilities shown in the accounts relating to 03 Objects amounted to Rs.1,691,671 but the savings had been Rs.267,271 thus, it was observed that the savings were not adequate to settle the liabilities.

## **2.6 Irregular Transactions**

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### **Deviation from the Procurement Guidelines Procedure**

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The following deficiencies were observed during the course of audit test checks on procurement activities of the Divisional Secretariat, Kolonnawa, Maharagama, Homagama and Padukka.

- (a) The quotations were not received adequately for certain projects so as to make effective competitive bidding and whenever only one quotation received the relevant contract of the project had been awarded to the same contractor without calling new quotations.
- (b) Action in terms of Guideline 5.3.13 and 6.3.3 of the Government Procurement Guidelines had not been taken in making procurements.
- (c) Even though, the Technical Officer had not certified the measurement reports and final payment reports relating to 03 projects carried out by the Divisional Secretariat, Seethawaka under Decentralized Programme of Special Projects, the sum of Rs.3,459,587 relating to that had been released.

## **2.7 Losses and Damage**

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The observations on losses and damage revealed during the course of audit test checks are given below.

- (a) The actions had not been completed in respect of 07 incidents less than 05 years amounting to Rs.630,901 for which had not been taken action further to recover or write off in terms of provisions of the Financial Regulations 104 to 113.
- (b) The action to be carried out in terms of Financial Regulations in respect of the fire incident occurred in the District Secretariat, Colombo in the year 2012 had not been completed so far.

## 2.8 Uneconomic Transactions

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The particulars of transactions entered into devoid of economy revealed during the course of audit are given below.

- (a) An agreement had been entered into with Central Engineering Consultancy Bureau (CECB) at a value of Rs.1,400 million on 17 October 2001 to construct the new District Secretariat Building at Narahenpita as an office complex with 20 storeys. Even though, 17 years had elapsed, 4 storeys only had been completed in stage I and II. Subsequently, the approval of the Cabinet of Ministers had been received to construct the balance part of constructions under stage III at a total cost estimate of Rs.3,461.5 million. This construction under stage III had been given to another contractual institution. Further the Central Engineering Consultancy Bureau (CECB) had been appointed as the consultancy institution. The total cost estimate had increased by Rs.428.79 million due to environment eco-friendly concept and eco-green concept had been included by the consultancy institute to this cost estimate. But it was observed as per the specification furnished to audit that the amount allocated in the specification approved for the eco-friendly concept had been Rs.75 million. The wall tiles and the floor tiles laid in the entrance hall area constructed under stage I and II had been removed and laid again and a useless additional cost amounting to Rs.8,814,650 had been incurred thereon.
- (b) Even though, the National Building Research Organization had published that the Penrithwatte area had been a medium risky area, that area had been selected for the resettlement of displaced people due to the earth slip occurred in Kotaharakanda in the authoritative area of the Divisional Secretary, Seethawaka. The new houses had been established without considering the particulars furnished through above scientific and technological methodologies and thereafter a risk of earth slips had arisen. Due to the above decision an additional cost of Rs.59,389,187 had been incurred at present by the National Building Research Organization to establish a soil stabilisation to mitigate the risk of the section of the earth slip. Similarly, about 101 people of 37 families residing in above housing project at present had faced to a risk of their lives. As the water in the hill had been removed unnaturally, the damage had caused to equilibrium of the natural environment and the people residing there at present had faced to a drinking water problem as well.

## 2.9 Management Weaknesses

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The following weaknesses were observed during the course of the audit test checks.

- (a) Reservation land areas of the Grama Niladhari Divisions of the Divisional Secretariat, Padukka had been cleared and the reservation banks of the canals had been filled with earth and unauthorized constructions had been made. Formal actions had not been taken thereon while action and provisions for legal vesting of the lands blocks which could not be maintained further as reservations had not been established.



- (b) The arrears of rates payable by the Divisional Secretariat, Homagama from the year 2011 to the Pradeshiya Sabha, Homagama amounted to Rs.217,739.
- (c) Several applications of “Bim Saviya” issued to the Divisional Secretariats under form No.BS/01/2011 by the Ministry of Lands and Land Development under the National Programme of Registration of Ownership of Lands had been retained in the Divisional Secretariat, Maharagama with an objective of to dispose.
- (d) Out of the over payments made in payments of widows and orphans pensions and civil pensions in 2 Divisional Secretariats, Seethawaka and Padukka, a sum of Rs.4.50 million had to be recovered further as at 31 December 2017.
- (e) Pensions totalling Rs.2.61 million consisting of Rs.1.7 million and Rs.1.34 million as civil pensions and widows and orphans pensions respectively had been made by the Divisional Secretariat, Padukka even after the death of pensioners. Nevertheless, action had not been taken so far to recover those money.
- (f) Even though, the elders allowance amounting to Rs.365.49 million had been sent to the post offices by 13 Divisional Secretariats to pay for the senior citizens in the year 2017, a sum of Rs.16.48 million had been saved without being paid. The following observations are made in this connection.
- (i) Action had not been taken to find the beneficiaries who had not obtained the money and to update the Registers of beneficiaries.
- (ii) Action had not been taken to make an opportunity to obtain allowances for the low income beneficiaries who had applied and were in the by stand register awaiting for the grants since several years.

## 2.10 Utilisation of Provisions made by Parliament for execution of Activities

The particulars of provisions made for the District Secretariat, Colombo during the period ended 31 December 2017, utilisation and savings of the provisions and the audit observations thereon are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs.Millions	Rs.Millions	Rs.Millions	
2013	Recurrent	616.34	615.36	0.98	0.16
	Capital	230.25	228.44	1.81	0.08
	<b>Total</b>	<b>846.59</b>	<b>843.80</b>	<b>2.79</b>	<b>0.33</b>

2014	Recurrent	559.10	540.80	18.30	3.22
	Capital	419.55	245.75	173.80	41.43
	<b>Total</b>	<b>978.65</b>	<b>786.55</b>	<b>192.10</b>	<b>19.61</b>
2015	Recurrent	688.70	678.72.	9.98	1.45
	Capital	824.80	602.54	222.26	26.95
	<b>Total</b>	<b>1513.50</b>	<b>1281.26</b>	<b>232.24</b>	<b>15.34</b>
2016	Recurrent	738.00	722.42	15.58	2.11
	Capital	954.00	635.79	318.21	33.36
	<b>Total</b>	<b>1,692.00</b>	<b>1,358.21</b>	<b>333.79</b>	<b>19.73</b>
2017	Recurrent	742.60	731.61	10.99	1.48
	Capital	1,110.20	1,098.98	11.22	1.01
	<b>Total</b>	<b>1,852.80</b>	<b>1,830.59</b>	<b>22.21</b>	<b>1.20</b>

The following observations are made in respect of the year under review.

#### **Appropriation Account**

##### **(a) Budgetary Variance**

- (i) Excess provisions totalling Rs.4,926,796 had been made for 10 Objects and as such the savings after the utilisation of provisions ranged between 6 per cent to 87 per cent of the net provisions relating to the respective Objects.
- (ii) The entire provisions amounting to Rs.650,000 made for implementation of the Official Language Policy had been saved.

##### **(b) Utilisation of Provisions made available by Other Ministries and Departments**

Provisions totalling Rs.5,097.18 comprising Rs.4,150.32 and Rs.946.86 had been made available by other 29 Ministries and 13 Departments to the District Secretariat for various activities. Provisions totalling Rs.4,336.76 only had been utilized out of that. Accordingly, provisions of Rs.760,42 million or 15 per cent of the provisions made available had been saved.

## 2.11 Advances to Public Officers Account

### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.25501 under the District Secretariat 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
68.20	67.95	37.00	42.80	220.00	174.25

The following observation is made in this connection.

### Non-recovery of outstanding Loan Balances

According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at 31 December 2017 except the loan balances of officers transferred out, totalled Rs.3,797,344. Even though, those outstanding balances remained over periods ranging from 01 year to 22 years, the District Secretariat had failed to recover the outstanding loan balances.

## 2.12 Imprest Account

A sum of Rs.12.69 million payable to 18 construction projects completed in the Divisional Secretariat, Seethawaka in the year 2017 had not been paid due to non-availability of imprests.

## 2.13 Operation of Bank Accounts

### Balances for Adjustments

At an examination of the Bank Reconciliation Statements of the month of July 2018 relating to 3 bank accounts implemented by the Divisional Secretariats, Seethawaka, Kaduwela and Maharagama, it was observed that, action had not been taken on 37 cheques issued but not presented for payment and elapsed 6 months totalling Rs.434,968 in terms of the provisions of the Financial Regulation 396(d) even by 31 July 2018.

## 2.14 Non-maintenance of Registers and Books

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

<b>Type of Register</b>	<b>Relevant Regulation</b>	<b>Observation</b>
(a) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978/ Financial Regulation 502(2)	Not updated.
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.	Not maintained by the District Secretariat, Colombo and the Divisional Secretariats, Seethawala and Dehiwala
(c) Register of Losses	Financial Regulation 110	Not updated.
(d) Vehicle Log Books	Financial Regulation 1645(a)	Not updated.

## 2.15 Internal Control

In terms of Financial Regulation 133, it was emphasized that the Accounting Officers should establish Internal Audit Units in their Departments for the purpose of their duties and responsibilities indicated in Financial Regulation 128. Even though, an Internal Audit Unit had been established in the District Secretariat accordingly, an adequate internal audit had not been carried out in respect of the District Secretariats and the Divisional Secretariat relating to the year under review.

## 2.16 Human Resources Management

### Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars of approved cadre, actual cadre, vacancies and excess cadre as at 31 December 2017 are given below. The District Secretariat had incurred a sum of Rs.38 million for Personal Emoluments Expenditure Category for the year under review. Accordingly, the expenditure per person amounted to Rs.31,367.

<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>	<b>Excess Cadre</b>
(i) Senior Level	52	45	07	-
(ii) Tertiary Level	33	18	15	-
(iii) Secondary Level	1196	1044	153	01
(iv) Primary Level	143	124	20	01
Total	1424	1231	195	02

The following observations are made in this connection.

(a) Approval obtained exceeding the Cadre Requirements

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The provisions had been saved without being utilized according to the Appropriation Account prepared for the year 2017 and 195 vacancies had existed by the end of the year under review but the existence of the vacancies of the cadre had not affected to that savings. Accordingly, it was observed in audit that the approved cadre had been estimated in excess.

(b) Recruitments made exceeding the Approved Cadre

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Two employees had been recruited exceeding the approved cadre without a proper approval.

(c) Staff Training

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Out of the total number of approved cadre of 1231 officers relating to District Secretariat and 13 Divisional Secretariats, the number of employees had been trained in the year 2017 amounted to 854 only. Three hundred and seventy seven officers had not been provided training in any way.

**2.17 Security furnished by Government Officers**

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The following observations are made.

- (a) A security Register containing the names of all officers required to furnish security had not been maintained by the Divisional Secretariats in terms of the provisions of the Financial Regulation 891(1) and action had not been taken thereon in terms of the provisions of the Financial Regulation 891(II), (III) and (IV)
- (b) A revised statement of all officers required to furnish security should be furnished to the Auditor General as at the end of every three years but action had not been taken so on.
- (c) Whenever an officer who has furnished security is transferred to another Department, full particulars of the security deposit of the officer and the pass books should be sent to that Department. Nevertheless, the action had not been taken so on.
- (d) The bank pass books of the officers who has given the security had not been updated in terms of the Financial Regulation 880.
- (e) The instances were observed that the drivers, who should furnish securities in terms of Security Ordinance and the District Administration Circular No.1/99 dated 09 April 1999 had not furnished the securities.