

**Appropriation Head - 279 - District Secretariat Kegalle**

**Report of the Auditor General – 2012**

1.1 Key Activities of the District Secretariat

- (a) Fulfilling the authorities and responsibilities vested under Statutory Laws and Acts.
- (b) Ensuring the implementation and certification of Government's Major Development Programmes and Development Projects (Samurdhi, and Decentralized Programmes) in compliance with Government Directives, Instructions and Guidelines.
- (c) Appraisal, Coordination and Guidance necessary for proper execution of Development Programmes and Administrative Works to be fulfilled through all Government Institutions and Non-governmental Institutions for public progression.
- (d) Functioning as the representative of the Government in the District.
- (e) Participation and taking practical action in natural and other disasters and distresses occurred in the District.

1.2 The Divisional Secretariats under the District Secretariat.

- (a) Kegalle
- (b) Mawanella
- (c) Aranayake
- (d) Bulathkohupitiya
- (e) Rambukkana
- (f) Galigamuwa
- (g) Warakapola
- (h) Dehiowita
- (i) Ruwanwella
- (j) Yatiyanthota
- (k) Deraniyagala

1.3 Audit and Scope of Audit  
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The Appropriation Account including the financial records, reconciliation statements, books registers and other records of the District Secretariat, Kegalle for the year ended 31 December 2012 was audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Report for the year under review was issued to the District Secretary on 05June2013. The audit observations, comments and findings are based on a review of the accounts and the reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 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 Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka and the Public Financial 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.

1:5 Audit Observations  
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According to the Financial Reports and the Books as at December 2012, it was observed that except for the effects of the general observations, appearing at (a) to (e) and the other major audit observations appearing in Paragraphs 1.6 to 1.14 herein, the Appropriation Account and the Reconciliation Statements of the District Secretariat, Kegalle have been prepared satisfactorily.

## (a) Appropriation Account

## (i) Total Provision and Expenditure

The total net provision made for the District Secretariat amounted to Rs.628,772,000 and out of that a sum of Rs.602,494,316 had been utilized by the end of the year under review. Accordingly, the net savings amounted to Rs.26,277,684 and it represented 4.18 per cent of the total net provision. Details are given below.

Expenditure	Estimated Provision as at 31 December 2012	Net Provision as at 31 December 2012	Savings As at 31 December 2012	Savings as a Percentage of Net Provision
	Rs.	Rs.	Rs.	%
Recurrent	350,525,000	581,522,000	15,330,478	2.64
Capital	47,250,000	47,250,000	10,947,206	23.17
<b>Total</b>	<b>397,775,000</b>	<b>628,772,000</b>	<b>26,277,684</b>	<b>4.18</b>

## (ii) Underutilization of Provisions

The provisions totalling Rs.1,551,000 had been made for 06 Objects and out of that a sum of Rs.1,179,619 had been saved after utilizing the provisions of Rs.371,381 and the savings ranged between 20 per cent and 100 per cent out of the net provisions made. It was observed that this savings were due to making of over provisions for Objects.

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

Provisions totalling Rs.3,682,508,726 had been made available by other Ministries and Departments for various purposes to District Secretary and the particulars of utilization of such provisions are given below.

Expen- diture Head	Ministry / Department	Provision Received as at 31 December 2012	Actual Expenditure as at 31 December 2012	Savings as at 31 December 2012
		Rs.	Rs.	Rs.
101	Ministry of Buddha Sasana and Religious Affairs	534,700	523,580	11,120
102	Ministry of Finance and Planning	108,000	76,462	31,538
103	Ministry of Defence and Urban Development	373,853	342,577	31,276
105	Ministry of Economic Development	2,206,036,568	1,915,359,904	290,676,664
106	Ministry of Disaster Management	3,056,499	1,374,733	1,681,766
110	Ministry of Justice	2,479,703	2,338,948	140,755
117	Ministry of Ports and Highways	140,000	130,975	9,025
118	Ministry of Agriculture	2,467,000	1,502,882	964,118
120	Ministry of Child Development and Women's Affairs	13,291,483	11,392,104	1,899,379
121	Ministry of Public Administration and Home Affairs	10,357,183	10,172,714	184,469
124	Ministry of Social Services	15,505,631	15,070,422	435,209
133	Ministry of Technology and Research	6,344,534	5,750,407	594,127
134	Ministry of National Languages and Social Integration	171,000	163,384	7,616
153	Ministry of Lands and Land Development	4,749,112	4,671,947	77,165
156	Ministry of Youth Affairs and Skills Development	1,562,700	1,392,018	170,682
160	Ministry of Environment	25,000	25,000	--
173	Ministry of Public Management Reforms	667,850	579,500	88,350
177	Ministry of Culture and the Arts	1,358,424	1,349,253	9,171
179	Ministry of Agrarian Services and Wildlife	90,000	67,765	22,235
201	Department of Buddhist Affairs	10,132,667	9,366,956	765,711
206	Department of Cultural Affairs	298,000	290,295	7,705
210	Department of Information	8,000	8,000	-

216	Department of Social Services	8,086,321	6,659,077	1,427,244
217	Department of Probation and Child Care Services	6,925,210	6,635,471	289,739
218	Department of Commissioner General of Samurdhi	691,178,865	550,167,059	148,011,806
219	Department of Sports Development	1,434,245	1,234,728	199,517
226	Department of Immigration and Emigration	4,575	3,255	1,320
252	Department of Census and Statistics	23,149,069	22,196,918	952,151
253	Department of Pensions	654,363,000	645,139,524	9,223,476
254	Department of Registrar General	224,777	224,046	731
289	Department of Export Agriculture	655,267	591,919	63,348
307	Department of Motor Traffic	1,496,854	1,406,956	89,898
327	Department of Land Use Policy Planning	6,693,907	5,898,512	795,395
328	Department of Man Power and Employment	1,088,729	1,027,728	61,001
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		<u>3,682,058,726</u>	<u>3,223,135,019</u>	<u>458,923,707</u>

The following observations are made.

- (i) Thirty eight Desk Top “Del” brand computers and” Prolink” brand 35 uninterrupted Power Supply Machines valued at Rs.3,306,250 had been purchased by debiting Expenditure Head 121-1-4-4-0-2103-2 based on the decisions of the Procurement Committee of District Secretariat, Kandy without calling quotations and obtaining Technical Evaluation Committee reports in terms of Procurement Guidelines.
- (ii) Despite the settlement bills as at 31 December 2012 had not been submitted in respect of advances granted to State Development and Construction Corporation on 23 July 2012 for roads carpeting, amounting to Rs.76,432,929, that amount had been debited to Expenditure Head 105-2-3-17-2502-1 as an expenditure.
- (iii) Goods valued at Rs.437,175 had been purchased in 04 instances from the provisions of the Ministry of Economic Development without obtaining the prior approval of the Ministry of Economic Development and without taking action in terms of the provisions of the Government Procurement Guidelines and without appended a stores certificate to the voucher that the goods have been received in terms of Financial Regulation 237(b).

- (iv) The matters observed in respect of purchases made under the programme of “Divi Neguma”, are given below.

Category of Purchases	Quantity	Value	Audit Observations
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		Rs.	
Apiary	580	580,000	Recommendation and Approval of Procurement Committee not made available.
Equipment	81	451,415	
Green Gram Seeds	(Quantity not mentioned)	227,520	Cash receipts not made available
Green Gram Seeds	265 Kg	86,860	
Maize	170 Kg		
Thibbatu Plants	200	54,000	Distribution Lists not made available
Camera	01	38,500	
Coconut Plants	10,650		Action had not been taken in terms of F.R 237
Gardening Sets	13,350		
Cassette Recorder	1	2,800	Documents not made available regarding distributions
Internet Dongal	1	2,100	
Mobitel Sim	1	2,158	
Children Play Ground Sets	5	103,950	Merigoround accessories not made available at children clinic and office premises, balance equipment valued at Rs.78,750 available at office premises without distributing.
Desks, Chairs	12	27,150	
			Available at Office Premises without distributing

- (v) The following matters were observed at the examination carried out regarding the works entered into agreements for the Project of “One work for One village” under the provisions of Ministry of Economic Development.

Work	Contract Amount	Advance Amount	Observations
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	Rs.	Rs.	
Concrete Laying Pitawela Mahagama Road	980,000	196,000	Advances had been granted on 12 May 2012 and the work should be completed by 27 July 2012. Nevertheless, the foundation for retaining wall at the beginning of the road only had been done even by 19 September 2012 at the time of physical examination while time extensions had not been granted.
Concrete Laying and Development of Pallegaladeniya Road	980,000	--	(I) When the concrete mixture had been tested in 02 places at 166 feet and 198 feet of the road, it was observed the concrete mixture was not in a proper standard.  (II) Even though it was estimated for laying polythene for 54.56 square feet as per item No. 03, 39.36 square feet only had been laying.  (III) Even though Rs.6,000 had been paid as per work. Item No. 08, the name board had not been fixed.

(b) Revenue Account

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Estimated and Actual Revenue  
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- (a) Revenue amounting to Rs.17,796,481 had been estimated for 08 Revenue Codes during the year 2012 by the District Secretariat while revenue amounting to Rs.27,930,603 had been collected. It was represented 157 per cent of estimated revenue. Out of the estimated revenue, the revenue ranged between 104 per cent and 63504 per cent had been collected. Details are given below.

<b>Revenue Code</b>	<b>Estimated Revenue</b>	<b>Actual Revenue</b>	<b>(Less Collection)/ Over Collection</b>	<b>Percentage</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>%</b>
10-03-07-99	5,545,000	7,055,012	1,510,012	127
20-02-01-01	1,108,000	1,306,788	198,788	118
20-02-02-99	5,714,182	6,350,703	636,521	111
20-03-02-99	613,000	904,660	291,660	148
20-03-03-00	345,000	1,295,344	950,344	375
20-03-99-00	4,255,000	4,421,605	166,605	104
20-06-02-00	10,000	6,350,430	6,340,430	63,504
10-03-07-05	206,300	246,060	39,760	119

## (c) Advances to Public Officer's Account

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Limits Authorized by Parliament  
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Limits authorized by Parliament and the actual values relating to the Advances to Public Officer's Account No.27901 are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
<u>Maximum</u>	<u>Actual</u>	<u>Minimum</u>	<u>Actual</u>	<u>Maximum</u>	<u>Actual</u>
<u>Limit</u>		<u>Limit</u>		<u>Limit</u>	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
50,000,000	25,050,444	39,000,000	33,385,601	170,000,000	130,589,609

The following observations are made.

- (i) The loan balances recoverable from 04 officers deceased and retired prior to several years amounting to Rs.82,992 had not been recovered even in the year under review.
- (ii) Action had not been taken to recover the loan balances from respective parties or sureties or to write off from the books in respect of loan balances aggregating Rs.65,643 remained receivable for number of years from 04 officers who vacated the posts and removed from service.



- (iii) Action had not been taken to recover from the respective parties or sureties or to write off from the books in respect of a loan balance of Rs.9,500 remained receivable since the year 1999 from Samurdhi Officers shown under other debtors.
- (iv) Even though the loan balances of 04 officers who had come on station transfers amounting to Rs.410,181 and the loan balances in respect of 13 officers transferred out from Divisional Secretariat, Warakapola on station transfers amounting to Rs.330,608 should be settled in terms of the Budget Circular No. 118 dated 11 October 2004, those balances had not been settled even by the end of the year under review.
- (v) A loan balance aggregating Rs.96,534 had been over recovered from 02 officers who employed in District Secretariat, Kegalle and that had not been shown as over recoveries in the Summary of Individual Balances of the District Secretariat.
- (vi) The particulars in respect of debits amounting to Rs.6,076,440 and credits amounting to Rs.5,603,485 which were not relevant to limits of debits/ credits authorized by Appropriation Act for above advance account made under Financial Regulation 503(1) and 503(1)(e) by District Secretariat and 11 Divisional Secretariats, had not been furnished to audit and as such the accuracy there on had not been established in audit.

(d) Imprest Account  
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The debit balances of the Imprest Accounts of the District Secretariat amounting to Rs.35,567,072 as at 31 December 2012 remaining from 23 July 2012, had not been settled even by 30 April 2013.

(e) General Deposit Account  
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The bank books and Certificates of Fixed Deposits belonged to a Reverend Monk who was in a temple at Divisional Secretariat Division Deraniyagala and passed away had been handed over to Commissioner of Buddhist Affairs and the documents and other things had been handed over to Council of the Dayakas of the temple. Nevertheless the cash belonged to that Monk amounting to Rs.79,198 had been deposited in the General Deposit Account without taking a decision of that money.

1:6 Accountability and Good Governance

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Annual Procurement Plan  
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In terms of the National Budget Circular No. 128 dated 24 March 2006, the Annual Procurement Plan had been prepared only on 29 March 2012.

1:7 Assets Management

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Idle and Under-utilized Assets  
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Audit test checks revealed that the certain assets as analysed below, had been either idle or underutilized.

Category of Assets	Number of Units	Period Idle or Under-utilized
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1:8 Non-compliances

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Non-compliance with Laws, Rules, Regulations etc.  
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Instances of non-compliance with the provisions of laws, rules and regulations observed in audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Establishments Code		
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Sub-sections 5.4.1 and 5.7 of Chapter xix	--	Even though the rental for quarters should be recovered from the Accountant and his spouse for the period from 01 August 2012 up to 30

January 2013 the date of audit, for the quarters eligible for the post of Accountant of the District Secretariat Kegalle, it had not been recovered accordingly up to the date of audit.

Sub-section 62 of -- Chapter xix The Government quarters No. 40 situated at Nagolla Road, Kegalle had been given to an external party. It had been pointed out by previous audit queries on that matter but the quarters had not been handed over to District Secretariat even by February 2013.

(b) Financial Regulations

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Financial Regulation 264 198,847 Every payment should be supported by a receipt from the payee in acknowledgement of the gross amount of the voucher. Nevertheless, the receipts had not been appended with 02 payment vouchers amounting to Rs.198,847 of Divisional Secretariat, Dehiowita.

Financial Regulation 385 27,529 When payments made for Rs.500 and over it should be paid by a cheque. Contrary to that the Divisional Secretary, Dehiowita had spent Rs.27,529 his own money for servicing the official vehicle and later reimbursed by the voucher No. 8/83.

Financial Regulation -- 1641 A Security Guard Room Register had not been maintained showing the time of vehicles departure and return in respect of 13 motor vehicles belonging to District Secretariat which were being used.

Financial Regulation -- Daily Running Charts and Monthly  
1646 Summaries of the vehicles of the District Secretariat and 5 Divisional Secretariats there under had not been properly submitted to audit. Part of them had not been submitted for more than one year period. Lack of signatures of officers who used vehicles and the differences in the Milo Metre at the beginning and end of the journey were also observed.

(c) Public Administration  
Circulars

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Circular NO. 14/2008 -- Even though it was stated that there was  
dated 26 June 2008 no eligibility to use Government vehicles for officers who obtaining monthly transport allowance, the Chief Accountant of the District Secretariat, Kegalle who obtained transport allowance had used pool vehicles to travel 747 Kilometres during year under review.

1:9 Weaknesses in the Implementation of Projects.

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(a) Delays in the Execution of Projects  
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Delays were observed in the execution of the following projects by the District Secretariat, Kegalle.

- (i) According to the agreement entered into between Divisional Secretary, Aranayake and Samagi Farmers' Organization on 17 September 2012, the work for laying water pipe lines from Gavilipitiya Junction to Parapitiya should have been completed within one month. Nevertheless, this work had not been completed even by 28 November 2012, the date of audit and a request for extension of the period also had not been made.

- (ii) A sum of Rs.13,374 had been paid for construction of Lintols as per item No. 12 of the first part payment report amounting to Rs.382,188 in respect of the Construction of Computer Laboratory at Hettimulla New Junior Vidyalaya under Decentralized Budget Programme. Nevertheless, it had not been executed even by 18 January 2013. As per item No. 09 of the payment report a sum of Rs.28,162 had been paid for construction of 12 concrete columns. But nine concrete columns only had been constructed by the time of audit and as such a sum of Rs.7,040 had been overpaid for 03 concrete columns.

(b) Projects without Progress Despite Release of Funds  
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The following matters were observed.

- (i) An agreement had been signed with a contractor for constructing new office building at District Secretariat, Kegalle for a sum of Rs.294,982,342 and a sum of Rs.92,126,334 had been spent for above work by 13 June 2013. Even though the work should have been completed by 10 May 2013, the validity period of the agreement had been extended by 06 months up to 10 November 2013 without acceptable reasons. But the validity period of the performance bond amounting to Rs.13,397,867 and Insurance for all risks amounting to Rs.272,957,342 had not been extended concurrently up to 10 November 2014. The constructions only had been completed for about 8.8 per cent amounting to Rs.26,000,097 by 13 June 2013, the date of audit, but a targeted days plan had not been prepared in order to complete balance work by 10 November 2013.
- (ii) A sum of Rs.484,856 had been authorized for construction of sections of 03 foot bridges under Decentralized Budget Programme in the Divisional Secretariat, Deraniyagala. As above constructions of bridges had not been fully completed the amount spent had become fruitless.
- (iii) Goods valued at Rs.282,550 purchased in November and December 2012 under Decentralized Budget Provisions for 2012 had been retained in the Divisional Secretariat without distributing to beneficiaries up to February 2013.

(c) Release of Funds without Supplying of Goods and Services

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A certificate should be appended to prove that the stores supplies had been received and the relevant goods had been included in the Stores Ledger before authorizing and certifying the payment voucher in terms of Financial Regulations 137(5), 138(4) and 237(b). Even though the payment vouchers valued at Rs.108,303, made for purchasing store materials had been authorized and certified and cheques had been drawn on 31 December 2012 by District Secretariat, Kegalle, the goods involved had not been received by the stores even by 18 January 2013 the date of audit.

(d) Other Weaknesses

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The following matters were observed.

- (i) The following advances had been granted for undermentioned works and the contractual period also elapsed but the work had not been commenced up to 04 October 2012.

Work	Contract Amount	Advance Granted	Date of Advance Granted	Date of Contract	Due Date of Completion
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	Rs.	Rs.			
Concreting Ingiriyawatta Colony Road	962,636	192,500	28.09.2012	24.09.2012	30.09.2012
Concreting Batahenkanda Pahala Watawala Road	960,035	192,000	05.07.2012	25.06.2012	25.09.2012

- (ii) National Water Supply and Drainage Board had prepared an estimate for Rs.979,210 for the project of Extension of water lines at Sri Jayawardanaramaya, Beminiwatta, Mawanella and that included a sum of Rs.113,750 for digging drains and filling with earth under labour contribution for laying pipelines. That work had been executed by labour contribution. But the entire payment of Rs.113,750 had been made to Water Supply and Drainage Board and as such that payment had been made for non-execution of work.

- (iii) Six thousand thirty eight Fruit Plants valued at Rs.925,535 had been purchased exceeding the quantity decided by the Procurement Committee on 05 June 2012 for purchasing of fruit plants under Divi Neguma Programme. Subsequently, in another occasion fruit plants had been purchased for another programme from the selected nursery at the prices less than the earlier price and according to the comparison of the prices a sum of Rs.208,340 had been over paid for supply of fruit plants for the Divineguma Programme. Fruit Plants valued at Rs.27,820 out of the fruit plants purchased, had not been distributed among beneficiaries even by 18 January 2013, the date of audit and those plants had not been produced at physical examination as well.

1:10 Performance

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Key Activities not carried out Adequately

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One of the objective of the Ministry of Economic Development is to provide relief for the people in an emergency disaster condition and restore the areas which faces disasters. Nevertheless, that action had not been taken to make necessary provisions of Rs.1,546,000 approved for rehabilitation of 61 houses damaged by the disasters such as floods, cyclones and lightning for the period from May 2011 to March 2012 even by 15 November 2012.

1:11 Irregular Transactions

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Certain transactions entered into by the Divisional Secretariats were devoid of regularity. Several such instances observed are given below.

- (a) Eight clerk chairs had been purchased spending Rs.30,340 without obtaining the approval of the Procurement Committee.
- (b) The fruit plants needed for distribution among beneficiaries under Divi Neguma Programme had been purchased from a Private Plant Nursery without being purchased from Hadabima Authority by the Divisional Secretariat Dehiowita and as such a sum of Rs. 811,350 had been overpaid.

- (c) Despite the possibility of paying by cheque to service provider for transport and labour charges, the Assistant Director (Planning) of the Divisional Secretariat Warakapola had paid a sum of Rs.110,100 from his own money as transport and labour charges for transporting and distributing coconut, pepper and fruit plants to divisions of Grama Niladhari's contrary to Financial Regulations and later reimbursed.
- (d) At the audit examination carried out on 31 October 2012 regarding the implementation on Revolving Fund granted under Livelihood Development Project in the Division of Divisional Secretariat, Warakapola, it was observed that out of the Revolving Funds amounting to Rs.201,837 granted in 2012 for 22 beneficiaries by Samurdhi Bank, Waddeniya and to be recovered in 10 installments a sum of Rs.188,237 had remained without being recovered.

1:12 Losses and Damage  
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Required legal actions had not been taken to recover the losses from the driver amounting to Rs.110,050 which had not covered by the insurance even by 30 October 2012, the date of audit.

1:13 Management Inefficiencies  
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The following matters were observed.

- (a) Even though a sum of Rs.106,310 had been paid on 28 December 2011 for constructing retaining wall close to Egodamulla Community Hall at Galpatha, and earth filling, said land had not been vested with the Government even by 03 October 2012, the date of audit.
- (b) At the examination of work files it was observed that the agreements valued at Rs.195,084 and Rs.962,636, in respect of concreting Amanawala, Mahangala Road and Ingiriyawatta Colony Road to be completed as at 30 November 2011 and 30 September 2010 respectively had been signed only on 21 November 2011 and 24 September 2012 and as such the adequate time had not been given to complete the above works.



- (c) The land situated at Nagolla Road, Kegalle in extent of 06 Acres 03 Roods and 01 perches, which was acquired by the Government to construct the quarters for employees in the year 1935 had been occupied constructing permanent houses by the unauthorized residents and about 15 families with licenses from 1957. Nevertheless, that action had not been taken to remove those unauthorized residents and licensed families from the land even up to August 2012.

1:14 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the Cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(I) Senior Level	41	37	04
(II) Tertiary Level	30	21	09
(III) Secondary Level	920	743	177
(IV) Primary Level	106	95	11
Total	<u>1,097</u>	<u>896</u>	<u>201</u>

(b) Non-compliance with the Recruitment Procedure

Contrary to the Examination for recruitment of Grama Niladharis, which was implemented from 29 September 2010 by the letter No. HAF-3-ADMIN-CMA-015 dated 12 August 2011 of the Secretary to the Ministry of Public Administration and Home Affairs twenty four acting appointments had been given by the Divisional Secretary and a sum of Rs.1,406,828 had been paid as allowances from the year 2006 up to 2011, the date of audit.