

Appropriation Head – 263 - District Secretariat, Hambantota

Report of the Auditor General - Year 2012

1.1 Key Activities of the District Secretariat

- (i) Coordinating activities at divisional and village level by the Divisional Secretariats, carrying out functions devolved by law and making payments and collecting revenue relating thereto.
- (ii) Making payments and collecting revenue by acting as the agent of the other Ministries and Departments.
- (iii) Implementation of the Decentralized Budget Programmes and other Development Programme at the levels of Divisional Secretariats and payments thereto.
- (iv) Participation in the functions devolved on the Provincial Councils where necessary and collection of revenue and making payments relating thereto.

1.2 Divisional Secretariats under the District Secretariat

- (a) Hambantota
- (b) Ambalantota
- (c) Tissamaharama
- (d) Lunugamvehera
- (e) Suriyawewa
- (f) Angunukolapalessa
- (g) Thangalle
- (h) Beliatta
- (i) Okewela
- (j) Weeraketiya
- (k) Walasmulla
- (l) Katuwana

1.3 Scope of Audit

The Appropriation Account including the financial records, reconciliation statements, books registers and other records of the District Secretariat Hambantota 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 28 June 2012. 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

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statement of Advances to Public Officers 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

According to the Financial Reports and the Books as at 31 December 2012, it was observed that except for the general observations appearing at (a) to (c) and the other major audit observations appearing in paragraphs 1.6 to 1.14 herein, the Appropriation Account and the Reconciliation Statement of Advances to Public Officers of the District Secretariat, Hambantota have been prepared satisfactorily.

(a) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the District Secretariat during the year under review amounted to Rs.803,799,449 and out of that a sum of Rs.736,885,060 had been utilized by the end of the year. Accordingly, the net savings amounted to Rs.66,914,389 and it represented 8 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	558,180,000	665,179,449	42,831,423	06
Capital	52,850,000	138,620,000	24,082,966	17
Total	611,030,000	803,799,449	66,914,389	

(ii) Budgetary Variance

Excess provisions had been made for 05 Objects and as such the savings after utilizing the provisions had ranged between 11per cent and 91 per cent of the net provision relating to the above Objects.

- ◆ Even though the provision under one Object of the Project No.01 amounted to Rs.175,000,000, the total expenditure during the year was Rs.25,832,800 representing 14.76 per cent of the provision. A sum of Rs.118,395,000 representing 67.65 per cent of the provision had been transferred to other Objects.

- ◆ Provision totalling Rs.52,220,000 relating to 05 Objects had been transferred under Financial Regulations 66 and 69 and of this, a savings of Rs.8,439,798 was observed after utilizing sums aggregating Rs.43,780,202. The above savings had a percentage ranging from 13.8 per cent to 44.3 per cent from the provision transferred.

(iii) Utilization of Provisions received from other Ministries and Departments

 Provisions totalling Rs.22,300,754,716 consisting of Rs.1,352,586,056 and Rs.948,168,660 respectively had been received from 24 ministries and 18 Departments for various and out of those, sums aggregating Rs.2,187,383,637 consisting of Rs.1,239,612,715 and Rs.947,770,922 respectively had been utilised. Accordingly, provisions of Rs.Rs.113,371,079 had been saved.

The following observations are made in this connection.

- ◆ Two Divisional Secretariats had incurred expenditure as at 31 December 2012 as shown below exceeding the provision made by a Ministry and a Department.

Expenditure Head	Ministry / Department	Total Provision as at 31 December 2012	Total Expenditure as at 31 December 2012	Excess
-----	-----	-----	-----	-----
		Rs.	Rs.	Rs.
124	Ministry of Social Services	19,207,048	19,262,442	55,394
216	Department of Social Services	5,145,982	5,271,518	125,536

- ◆ Even though it was considered that the price of 3” Type 600 P.V.C water pipe at the length of 06 meters as Rs.4,500 for the computation of unit price while preparing estimate for the implementation of Kirimetiya lift water scheme of the Divisional Secretariat, Ambalangoda, it was observed at the physical verification that the Nelota category 3” type 600 P.V.C water pipe at the length of 06 meter that could be purchased for Rs.2,600 at the market, had

been utilized for the project. Even though a sum of Rs.276,000 had been paid to the contractor during the years 2011 and 2012 for laying pipes at the length of 368 meter, amount to be paid according to the type of pipes utilized was Rs.159,467. Accordingly, a sum of Rs.116,533 had been overpaid.

- ◆ Agreements had been entered into in respect of 03 lift water schemes at the Divisional Secretariat of Ambalanthota for a sum of Rs.2,907,808 for supplying water to the gardens under the Jathika Saviya Gamaneguma 2012 Programme. The market price of 3” T 600 type ARPICO water pipe at the length of 06 meter was Rs.2,500 at the time of preparation of estimates and the market price of those pipes at the time of implementation of the Project was Rs.2,160. However, estimate had been prepared considering that the price of water pipe as Rs.3,953 and as such, it was observed that an overestimation of Rs.395,865 had been prepared.

- ◆ According to the bills for the year 2012 in respect of construction works of the canal embankment of the Aluthgoda Siyambalagasweva belonging to the Divisional Secretariat of Thangalle, a sum of Rs.691,768 had been paid for spreading of 759.35 cubic meters gravel. However, according to the physical inspection, the work completed with 173.65 cubic meters. Accordingly, a sum of Rs.533,573 had been overpaid to the contractor.

(iv) Management of Public Expenditure

Even though 02 per cent and 09 per cent respectively should have been saved from the recurrent and capital expenditure in terms of National Budget Circular No.155 dated 30 December 2011 out of the provision made through the Annual Estimates authorized by Parliament for the year 2012, provision had not been saved in respect of Project N0.02 by the District Secretariat whereas the percentages of total savings for both projects had been made from the Project No.01.

(v) Management of Fuel and Electricity Expenditure

Even though it was instructed through the Treasury Circular No.156 dated 16 February 2012 that the expenditure should be managed within the provision made through the Budget Estimate for fuel and electricity expenditure and any additional funds should not be obtained thereon and transfer of provision under Financial Regulations should not be approved by the Treasury, provision of Rs.2,965,000 had been transferred during the year under review through Financial Regulations 66 with the approval of the Treasury without considering the above instructions.

(b) Advances to Public Officers' Account

Limits Authorized by Parliament

Limits authorized by Parliament and the actual values relating to the Advances to Public Officers' Account No.26301 are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
<u>Maximum Limit</u>	<u>Actual</u>	<u>Minimum Limit</u>	<u>Actual</u>	<u>Maximum Limit</u>	<u>Actual</u>
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
40,000,000	28,081,698	26,000,000	29,878,323	155,000,000	134,824,614

The balances that remained outstanding as at 31 December 2012 according to the Reconciliation Statement of the Advances to Public Officers Account Item No. 26301 totalled Rs.3,562,205 and the follow up action on the recovery of those outstanding balances had been at a weak level

(c) General Deposits Account

The balance of the General Deposits Account of the District Secretariat as at 31 December 2012 amounted to Rs.216,970,794 and action in terms of Financial Regulations 571 had not been taken in respect of 294 deposits amounting to Rs.8,432,429 existing over two years.

1.6 Accountability and Good Governance

1.6.1 Corporate Plan

According to the letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of the Department of Public Finance addressed to all the Secretaries of Ministries, Chief Secretaries of the Provincial Councils, Heads of Department, District Secretaries and Heads of Local Authorities, a Corporate Plan should have been prepared by the District Secretariat at the beginning of the year at least for 03 years from the year 2010 onward. However, the Corporate Plan prepared on 18 March 2011 had not been prepared in order to cover all divisions of the District Secretariat.

1.6.2 Annual Action Plan

Even though an Action Plan should have been prepared by the District Secretariat for the year 2010 and onwards in accordance with the Corporate Plan prepared according to the letter of the Director General of the Department of Public Finance mentioned in paragraph 1.6.1 above, the Action Plan for the year under review had not been prepared up to 31 December 2012.

1.6.3 Annual Performance Report

Even though an Annual Performance Report that should be prepared by the District Secretariat within 150 days after the closure of the financial year in terms of Public Finance Circular Nos.402 and 402(1) dated 12 September 2002 and 20 February 2004 pointed out in the letter of the Director General of the Department of Public Finance mentioned in paragraph 1.6.1 above should have been tabled in Parliament with a copy to the Auditor General, the performance report for the year under review had not been tabled in Parliament up to 17 June 2013.

1.6.4 Annual Procurement Plan

Annual Procurement Plan had not been prepared up to 31 December 2012 in terms of National Budget Circular No.128 dated 24 March 2006.

1.6.5 Internal Audit

Adequate internal audit had not been carried out during the year under review relating to the District Secretariat and Divisional Secretariats.

1.6.6 Implementation of Audit and Management Committee

Even though meetings of the Audit and Management Committee should have been conducted once in every quarter in terms of Circular No.IAI/2000/ 1 dated 12 June 2009 of the Secretary to the Treasury, only two meetings of the Committee had been conducted during the year 2012.

1.7 Assets Management

----- Idle and Underutilised Assets -----

- It was observed at the audit test check that the official quarters No. 4 of the District Secretariat and the official quarters of the Divisional Secretariat, Angunakulapelassa had remained underutilized for a period of one year.
- Twenty seven water tanks purchased in the year 2010 by spending Rs.74,088 for providing to the Kadigamuwa Community Societies under the decentralized provision of the year 2010 had remained idle at the stores up to the date of audit on 28 February 2013 without utilizing for any purpose.

1.8 Non – compliance

Non-compliances with Laws, Rules, Regulations, etc..

Instances of non – compliance with the provisions of laws, rules and regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non - compliance -----
(i) Financial Regulations ----- F.R 685	562,060	Payments had been made by the District Secretariat without a decision of the Procurement Committee in respect of supply of water by the bowser during the dry period of 05 months in the year 2012 to the grass land and to the trees/ plants planted.
FR 703 (2)	1,000,000	Even though agreements had been entered into with a Farmers' Society for reconstruction of the Ihalagoda Hathbothiya Tank under the One Work for One Village Programme at the Divisional Secretariat Division of Thangalle, sub contract had been given to an outside party without carrying out by the contracting society.
	1,181,999	Even though the construction works of the Ihala Kumbukweva pre school building at the Divisional Secretariat Division of Suriyawewa under the provision of the Jathika Saviya 2012 had been awarded to a Samurdhi Society, sub contract had been given to an outside party by the contracting society without the approval.
	1,508,890	Even though the construction works of I stage of the left bank canal of the Maha Indivewa belonging to the Divisional Secretariat Division,

Suriyaweva had been sub contracted by that society to another individual without the approval.

1,237,515

The construction of completion of the balance works of the Sri Jayagama Lift Water Project belonging to the Divisional Secretariat Division, Suriyaweva had been awarded to the Village Development Society and it had been sub contracted by that society to another individual without the approval.

Circular of the
Ministry of Economic
Development

Circular
No.Gamaneguma
/04/2008 dated 15 July
2008

5,694,209

A sum of Rs.7,506,000 had been provided to 05 Samurdhi Banks during the years 2009, 2010 and 2012 by the Divisional Secretariat, Thangalle for implementing the livelihood development revolving loan system on the basis of provision of the Ministry of Economic Development and there were idle cash balances at the Samurdhi Banks by the date of audit on 30 November 2012.

1.9 Weaknesses in the Implementation of Projects

Instances of abandoning projects without commencing, abandoning projects without completing and delays in projects revealed at the audit test checks are given below.

(a) Projects Abandoned without Commencing

The following projects had not been commenced by the Divisional Secretariat, Thangalle.

Projects	Estimated Cost	Due Date of Commencement	Reasons for not Commencing in brief
-----	-----	-----	-----
	Rs.		
Improvement of Thanketiya Thahampala sub road and Thissapara sub road	1,050,838	September 2012	Filing a court case for a land belonging to the road.

(b) Projects Abandoned without Completing

Even though the Divisional Secretariat, Lunugamvehara had commenced the following projects, those projects had been abandoned without being completed.

Project	Estimated Cost	Date of Commencement	Expenditure up to 31 December 2012	Reasons for Abandoning
-----	-----	-----	-----	-----
	Rs.		Rs.	
Development activities of the Ranasiripura Samabodhi Raja Temple	50,000	20-10-2012	-	Not carrying out works up to 31 December in terms of agreements
Completion of works of the Pahala Mattala Sri Jayabodhi Temple	50,000	10-10-2012	-	- do -
Renovation of building of the local leather factory decided to initiate at Saliyapura, Beralihela	475,000	06- 12 - 2012	7,280	- do -

(c) Delays in the Execution of Projects

The contract for construction of road from Wee Vapulawila to the boarder of the village in the Divisional Secretariat Division of Weeraketiya had been awarded to the Farmers' Society at the estimated value of Rs.1,052,504 and an agreement had been entered into with that Farmers' Society on 22 October 2012 at the value of Rs.997,510. A sum of Rs.335,939 had been paid to the contracting farmers' society up to the date of audit on 15 May 2013 and according to the agreement the contract activities should be completed within two months and handed over to the Divisional Secretariat. However, the works were continued and the construction activities had not been completed and handed over even up to the date of audit on 15 May 2013.

1.10 Deficiencies in Operating Bank Accounts

(a) Dormant Bank Accounts

Two Bank Accounts maintained by the District Secretariat remained dormant by 31 December 2012. The dormant period and the cash balance of each Bank Account are given below.

Bank Account Number -----	Dormant Period by 31 December 2012 -----	Idle Balance -----
		Rs.
324	19 years	23,470
01	27 years	1,011

(b) Balances for Adjustment

Information revealed at an analysis of the adjustments appearing in the Bank Reconciliation Statements for December 2012 prepared by the District Secretariat, Hambantota and Divisional Secretariats is given blow.

Particulars of Adjustments -----	Age Analysis -----			Total -----
	Over 06 months less than 01 year	Over 01 year less than 03 years	Over 03 years	
	Rs.	Rs.	Rs.	Rs.
Unrealized Deposits	-	400	6,470	6,870
Cheques issued but not presented for payment	12,044	38,027	-	50,071

1.11 Transactions of Contentious Nature

Certain transactions carried out by the District Secretariat and Divisional Secretariats were of contentious nature. Particulars of several such transactions revealed at audit test checks are given below.

Thirteen Lap Tops had been purchased during the year 2012 for the District Secretariat and 12 Divisional Secretariats by paying Rs.1,341,600 at the rate of Rs.103,200 per computer. According to the register for handing over of goods, 04 Lap Top with the serial numbers not mentioned in the invoices had been provided to 04 Divisional Secretariats.

1.12 Irregular Transactions

Certain transactions entered into by 02 Divisional Secretariats were devoid of regularity. Several such instances observed are given below.

Deviation from the Procedure laid down in the Procurement Guidelines

- (a) According to Section 2.14.1 of the Government Procurement Guidelines 2006, the limit of procurement that could be made through the shopping procedure by the Regional Procurement Committee was Rs. 500,000. However, the Divisional Secretariat, Lunugamwehara had purchased equipment valued at Rs.886,652 exceeding that limit based on the procurement decision No.34 dated 19 December 2011 for distribution to the maternity clinic centers.

- (b) It was observed that a sum of Rs.245,377 had been overpaid while purchasing goods by the Divisional Secretariat, Lunugamwehara during the year 2011 for distribution to the maternity clinic centers due to making purchases under higher prices instead of lower prices without obtaining recommendation of the Technical Evaluation Committee.
- (c) A sum of Rs.3,074,075 had been paid to the contractors by the Divisional Secretariat, Weeraketiya up to the date of audit on 15 May 2013 relating to the execution of contract for renovation of the Methamulana maternity clinic centre under the Gamaneguma Programme 2011. The above construction work at the total estimated cost of Rs.3,296,503 had been awarded to two approved societies at the same date under the direct contract method by dividing the works into two contracts without taking action to select a contractor by calling national competitive bidding and award the contract in terms of Section 3.2 of the Procurement Guidelines and Section 2.14.1 Procurement Manual on Goods and Works 2006.

1.13 Uneconomic Transactions

Details relating to transactions entered into uneconomically revealed at the test check are given below.

- (a) Thirty three youths had only been completed the training up to 28 March 2013 from a sum of Rs.300,000 paid by the Divisional Secretariat, Lunugamvehara for providing training to drive motor vehicles for 46 unemployed youths under the Decentralized Budget Programme for the years 2006/ 2007. Action had not been taken to send other persons for a sum of Rs.92,260 paid relating to 13 youths to whom training not provided or to recover the above amount.
- (b) A sum of Rs.236,250 had been remitted to the Thangalle Depot on 31 August 2006 by the Divisional Secretariat, Lunugamvehara for providing training to drive motor vehicles for 42 unemployed youths under the Decentralized Budget Programme for the year 2006. However, action had not been taken to provide training for 23 youths up to 28 March 2013 and as a result, it was observed that a sum of Rs.129,375 paid thereon had become a fruitless expenditure.

(c) A sum of Rs.125,000 had been paid to the Mirijawila Vocational Training Authority on 31 December 2011 by the Divisional Secretariat, Lunugamvehara for providing training to drive motor vehicles for 13 unemployed youths under the Decentralized Budget Programme for the year 2011 and action had not been taken to provide training to drive motor vehicles for 06 beneficiaries up to 28 March 2013.

(d) Even though a sum of Rs.678,475 had been paid to the Thangalle Ruhunu Bus Company by the Divisional Secretariat, Suriyawewa relating to 107 unemployed youths under the Decentralized Budget Programme for the years 2005, 2006, 2007 and 2008, only 20 persons had completed the training even up to the date of audit on 19 October 2012. Evidence had not been presented for audit to prove that the beneficiaries had been sent again and their training completed instead of a sum of Rs.567,750 paid for the balance 87 beneficiaries.

1.14 Human Resources Management

Approved 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	Number of Excess
(i) Senior Level	44	37	07	--
(ii) Tertiary Level	33	16	17	--
(iii) Secondary Level	967	769	199	01
(iv) Primary Level	117	109	10	02
(v) Others (Casual/ Temporary/ Contract Basis)	05	07	01	03
Total	1166	938	234	06