

Head 273 – Report of the Auditor General on the District Secretariat, Puttalam - Year 2017

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, Puttalam. The financial and physical performance reflected by those accounts 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 of the Chief Accounting Officer and the Accounting Officer on the Financial Management and Accountability

The Minister of the 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 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of the Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the 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 Articles 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

The audit of District Secretariat, Puttalam - Head 273 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, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, 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, Puttalam on 12 June 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 Observations

The audit observations of the District Secretariat, Puttalam for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, 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 2.18 of this report. It was observed that, the accountability as the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial control satisfactorily subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulations 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128	Non-compliance with that provision by the Accounting Officer	Reference to the paragraph of the report which included the observation
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Financial Regulations		

128(1)(a)	The work of his Department is planned and carried out with due dispatch having regard to the policy laid down by the government and the intention 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. Not maintaining books and records. 2.14 2. Non obtain of expected output level 2.3 (a) 3. Not obtain of expected results. 2.3 (b)

		4. Delays in performing projects	2.3(c)
128(1)(b)	The organization for 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 money received, the authorization of 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.	1. Non obtain of expected output level. 2. Delays in performing projects. 3. Deficiencies in implementation of procurement process. 4. Weaknesses in performing services to the General Public 5. Improper transactions	2.3(a) 2.3 (c) 2.4.1 2.10 2.5
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. Non maintaining of books and records. 2. Non-compliances.	2.14 2.15
128 (1)(d)	An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	Non recovering of due loan balances.	2.12
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	Deficiencies in assets management.	2.4

these are verified from time to time; and, where they are disposed of, such disposal is according to prescribed Regulations and Instructions.

- 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 Financial Regulations 156 (1).
- Losses and Damages 2.6

2. Material and Significant Audit Observations

2.1 Main functions of the District Secretariat

- (a) Coordination and directing the activities in the Divisional Secretariats functioning under the District Secretariat.
- (b) District secretariat, implementing Government Development Program and projects as the main coordinating Institution, according to the government rules, review the progress and coordination.
- (c) Implement the powers vested in the statutory commands imposed in each case.
- (d) Maintaining co-ordination with government security forces to maintain law and order of the people and establish their safety.
- (e) Implementing and coordinating their programme as the main agency in the districts of the various government Departments and Ministries.
- (f) To engage in revenue collection and accounting of the government as the accounting officer on the receipt of government revenue.

2.2 Institutions under the District Secretariat and the Functions to be Executed

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

Institutions District Secretariat	under the	Empowered Authorization Establishment	Functions of
(i) Wennappuwa Divisional Secretariat (ii) Naththandiya Divisional Secretariat (iii) Dankotuwa Divisional Secretariat (iv) Mahawewa Divisional Secretariat (v) Madampe Divisional Secretariat (vi) Chilaw Divisional Secretariat (vii) Arachchikaduwa Divisional Secretariat (viii) Mundalama Divisional Secretariat	Divisional	Delegation of powers (Divisional Secretariat) Act No.58 of 1992	Divisional Secretary office establishment Administration division established by Land Division, Accounts division, Registrar division, Social Welfare and Development division, Divinaguma Division and Planning and Development Division of the area divide the diverse functions expected of the clients who are expecting the public and a written law to the divisional secretary given some power of work or a woman to be included in the division.
(ix) Pallama Divisional Secretariat (x) Mahakumbukkadawala Divisional Secretariat (xi) Karuwalagaswewa Divisional Secretariat (xii) Kalpitiya Divisional Secretariat (xiii) Puttalam Divisional Secretariat (xiv) Anamaduwa Divisional Secretariat (xv) Vanathavilluwa Divisional Secretariat (xvi) Nawagaththegama Divisional Secretariat	Divisional		

2.3 Non-performed Functions

(a) Non obtained expected output.

The allocations had been utilized without obtaining the expected out come of projects implemented in Arachchikaduwa Divisional Secretariat at a agreed value of Rs.1.97 million such as concreting Buruthakale Gampahawaththa Road, concreting Wijaya Katupotha Alen Egoda road, development by Laying kuttigal (block stones) in Bangadeniya Kumbutukuliya road and development of Diganwewa road by laying Kuttigal (block stones).

(b) Non-obtained of Expected Outcome

The following observations are made.

- (i) Eventhough a allocation of Rs.2.6 million had been incurred for Kammandaluwa Drinking Water Project and Puliyankulama Water Project stared in 2014, the expected outcome had not been received to the public beneficiaries due to that the Physical progress of the projects was only 30 per cent.
- (ii) A sum of Rs.6.19 million had incurred from the allocation given by the Ministry of Tourism Development and Catholic Affairs for the construction of a grill fence and a net fence around the Rest House Premises in Arachchikattuwa Manweriya area. But there is a 3 feet gap in between the bottom line of the constructed fence and the ground level. The fence had been constructed without filling soil in to the gap.
- (iii) Rs.15 million had been given to construct a fisheries village with 50 houses at a estimate cost of Rs.300,000 per house in Kaptiya Kirimundalama area of the allocation of Ministry of Fisheries and Aquatic Resources. Each house costed Rs.544,113 and the beneficiaries had been notified to play the balance of Rs.254,113 but they were not financially strength to pay it. Though it was planned to complete the project by 06 November 2017, the entire project could not be completed. Further, it could not be verified that the beneficiaries of the houses are the genuine fishermen in the area.
- (iv) Construction works of Anamaduwa Drama Theatre at a estimated cost of Rs.30 million was expected to complete by 07 October 2014 but a sum

Rs.22.2 had been incurred till 12 June 2018 and construction works had not been completed.

- (v) Construction projects such as Kalpitiya bus stand completed at a cost of Rs.12.7 million under the provision made by the Ministry of National Policy and Economic Affairs, Madurankuliya tourism information and facilities centre completed at a cost of Rs.52.7 million under the provision of Ministry of Tourism and the Kalpitiya weekly market constructed at a cost of Rs.14 million had been completed and unutilized or works had not been completed and became an idle expenses.

- (c) Delays in execution of projects

A sum of Rs.4.36 million had been estimated to execute of five projects by the District Secretariat. While execution these projects, due to unavailability of standard raw materials and adverse climate situation had affected to complete the projects and had delay in ranging 07 days to 2 ½ months.

2.4 Assets Management

The following deficiencies are observed in the sample test checks on assets in the District secretariat and 16 Divisional Secretariat.

- (a) Non Verified of Security of Assets

Security of vehicles belonging to the Chillaw and Naththandiya Divisional Secretariat in a issue due to those vehicles had been parked in the Divisional Secretariat office premises unprotectedly.

- (b) Exploitation of Government Assets

The government owned land extent to 31.401 hectare in No.598 in Konthanthive Grama Niladari area, in Mundalama Divisional Secretariat had been illegally poached by a person and development works had been carried out.

(c) Decrease of Value and Quality of Government Assets

The old Divisional Secretary quarters in Divisional Secretariat in Naththandiya had not been properly maintained and thereon the building is being destroying.

(d) Idle and Under Utilization of Assets.

10 vehicles of District Secretariat had been parked idely in District Secretariat or Divisional Secretariat offices without using over 03 years.

(e) Improper Usage of non Transferred Assets

A cab, a lorry, and a bowser given by other institutions to the District Secretariat had been used without making a proper transfer.

2.5 Irregular Transactions -----

A tube well had been constructed for “Samuha” Community Based Organization in Kavayankulama village in Mahakumbukkadawala in 2017. A sum of Rs.334,675 had been paid and purchased water moters and accessories without testing the standard of water of the well and it was observed that water had not in good standard level and therefore procured moters and accessories were kept idealy even to the date of 31 December 2017.

2.6 Losses and Damages -----

Losses and damages observed in the sample test checks were given below.

- (a) Eventhough, it was observed that a vehicle belonged to the District Secretariat had met an accident due to reckless driving of the driver, action had not been taken to recover the estimated damages amounted to Rs.180,500 from the relevant driver.

- (b) It was recommended in the initial investigations that 03 accidents met in the years 2014, 2015 and 2016 were due to the reckless driving and, therefore, drivers should be responsible for the damages thereon valued to Rs.599,429. But the losses could not be recovered from the drivers as the approval had not been received from the Secretary to the Ministry of Home Affairs.

2.7 Unresolved Audit Paragraphs

References to the audit paragraphs relating to the District Secretariat included in the reports of the Auditor General on which corrective actions had not been taken for mentioned deficiencies are given below.

Reference to the Report of the Auditor General	Subject	Deficiency in shorts
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Year	Paragraph No.	
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2016	3.12(b)	Nawagaththegama Drama theatre Not used for objective purpose.
2016	3.15(a)	Anamaduwa Drama theatre (stage I) Construction had been stopped.

2.8 Management Inefficiencies

The following inefficiencies were observed in test checks.

- (a) The Arachchikattuwa Divisional Secretariat had spent a long time to acquire lands for special projects.
- (b) Eventhough relevant files had been reffered to the Provincial Land Commissioner to get approval to regulize and to get approval for long term renting of illegal poached of government lands in vanathavilluwa Divisional Secreatarial area, this matter had not been resolved even up to 12 June 2018.
- (c) A farming land having extent of 81 Acres, 03 Rudes and 38 purches in Vanathavilluwa Divisional Decretariat area had been illegally poached since 1995 and blocks of land had been sold by preparing fake deeds in several instances. Even though it was informed to take action interms of the Management Retrival Act, and remove the illegal residents or take over the rights as per the Land Registers' Letter No.4/10/4/3/0 of 12 January 2013, the officers including Divisional Secretary had not actively performed in this regards.

- (d) Tarring had not done as per the estimated width in tarring projects in Dankotuwa rural roads and the estimated had been amended in several instances.
- (e) Due to the delay in carrying out examination for rights for the projects of the Divisional Secretariats of Arachchikattuwa, Anamaduwa, and Wennappuwa and spent long time period in between the granting of compensations a sum of Rs.20,012,831 had to pay as interest to the compensators.
- (f) Government had to bare an additional cost of Rs.688,537 as interest, due to delays in paying compensations by the Mahawewa Divisional Secretariat for 13 land blocks in the initial plan No.3707, 3708 and 3727 in the acquisition of lands in the construction of Puttalam, Paliyagoda road.
- (g) Six bank accounts pass books for total value of Rs.1,866,517 belonging to the age completed minor children and three bank accounts pass book valued for Rs.947,754 which could not confirmed the age of government servant who died had not been released and retained in the Dankotuwa Divisional Secretariat.
- (h) Eventhough in terms of Financial Regulation 155, the audit quaries should be replied without delay, reply ha not been made to the audit query issued even to the date of 30 June 2018 with regards to the letter No. NWP/PT/A/3,4/ආණ්ඩු.ප්‍රා.ලේ./2017පෙත්සම් පරික්ෂාව/2017/575 of 06 April 2016 on issuing of a license illegally to a land in No.649 in Kottukachchiya Grama Niladhari division in Anamaduwa Divisional Secretariat.
- (i) A sum of Rs.3.77 had been spent and constructed a toilet system for Rajakadaluwa, Manaveriya Iswar Kovil in a private land.

2.9 Lack of Evidence for Audit

Files relevant to 25 vehicle accidents during the period 1996 to 2012 had not been available in the District Secretariat. As such, losses thereon valued for Rs.2 million could not be satisfactory verified.

2.10 Services Performed to the General Public

Liquid spray machines, pre-school sports equipments and sports equipments stock received under various provisions to distribute to the beneficiaries had remained in the

Naththandiya Divisional Secretariat Office for several years without distributing to the beneficiaries.

2.11 Utilization of Provision made by Parliament for the Execution of Activities

Information relating to the utilization and savings of the provision made for the District Secretariat during the period of 05 years ended 31 December 2017 along with the audit observation thereon, are shown below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of Net Provision
		Rs. Million	Rs. Million	Rs. Million	Percentage
2013	Recurrent	502.96	501.95	1.01	0.20
	Capital	63.20	61.43	1.77	2.80
	Total	566.16	563.38	2.78	0.49
2014	Recurrent	488.23	483.97	4.26	0.87
	Capital	38.40	37.44	0.96	2.50
	Total	526.63	521.41	5.22	0.99
2015	Recurrent	627.65	621.73	5.92	0.94
	Capital	57.30	57.25	0.05	0.08
	Total	684.95	678.98	5.97	0.87
2016	Recurrent	649.64	644.80	4.84	0.74
	Capital	75.00	64.33	10.67	14.22
	Total	724.64	709.13	15.51	2.14

2017	Recurrent	642.14	640.57	1.57	0.24
	Capital	95.00	92.50	2.50	2.63
	Total	737.14	733.07	4.07	0.55

The following observations are made in this regard relevant to the year under review.

Utilization of Funds given by the Other Ministries, Departments and District Secretariats

A total Provision of Rs.3,971 had been given by 31 Ministries and 20 Departments amounted to Rs.3,778 and Rs.193 respectively for various activities. Out of that only a sum of Rs.3,050 had been utilized at the end of the year under review. As such, Out of the total provision a sum of Rs.921 million or 23 percent had saved. The following deficiencies are observed in this regards in the sample test checks.

- (a) Out of total provisions given to the District Secretariat by other Ministries and Departments, 10 per cent from the Recurrent expenditure provision and 32 per cent from the Capital expenditure provision had saved by the end of the year under review. As such, provisions received had not been utilized to achieve for expected goals.
- (b) Total provision of Rs.3,600,000 given by the Ministry of Sports had not been utilized.
- (c) A sum of Rs.2,381 million had been allocated as Capital Provision for the year under review but the Treasury had released the imprest of Rs.1,553 relevant to the provision only in the final quarter of the year. As such, District Secretariat had not available enough time to use capital provision actively and efficiently in the manner of economical way.

2.12 Government Officers' Advance Account

Non-recoverable of Outstanding Balances

As per the reconciliation statements submitted to the audit, the total outstanding receivable balance on that day, except the balances who was transferred was Rs.2,212,072 and those balances remained the period ranging 01 year to 5 years but post observation activities in recoverable of those balances remained in weak position.

2.13 General Deposit Account

Action had not been taken as per the Financial Regulation 571 with regards to the total deposit of Rs.2.44 million in Puttalam, Dankotuwa, Vanathavilluwa, Kalpitiya and Mundalama Divisional Secretariats (except land deposits) remained over 02 years.

2.14 Not Maintained Books and Registers

The following Registers had not been maintained by the Puttalam District Secretariat and, it was observed in the test checks that some Registers had not been properly updated and maintained.

Category of the Registers	Relevant Regulation	Observation
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Official Register	Telephones Financial Regulation 845(1)	Not maintained
Vehicle Register	Scheduling Financial Regulation 1647(e)	Not maintained
Attendance Register of the Procurement and Technical Committees	2.11.2 of the Procurement Guidelines	Not maintained

Fixed Assets Register	Treasury Circular No.842 of 19 December 1978 and Financial Regulation 502(2)	Not updated
Fixed Assets Register for Computers, accessories and softwares	Treasury Circular No.IAI/2002/02 of 28 November 2002.	Not updated
Department Appropriation (Standard vote) Ledger	Financial Regulation 447	Not updated
Register for Losses	Financial Regulation 110	Not updated
Registers for Liabilities	Financial Regulation 214	Not updated
Loan Register	Financial Regulation 485	Not updated

2.15 Non-compliances

Non-compliances with Laws, Rules, and Regulations

Instances of non-compliances with Laws, Rules and Regulations observed in the test checks are analyzed as follows.

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) Eshtablishment code of Democratic Socialist Republic of Sri Lanka

Sub section 10 of paragraph vii

Prior approval of the Department Head had not been taken for the working in weekends and government holydays by officers in Karuwalagaswewa, Klapitiya, Puttalam and Navagaththegama Divisional

Secretariat offices.

(b) Public administration circular

Public Administration circular
No.18/2001 of 22 August 2001.

Although officers working over 05 years in a same working place they are subjected to transfer, but above regulations had been applied for 07 officers in Mahakumbukkadawala Divisional Secretariat.

(c) National Budget Circulars

National Budget Directors' letters No.BD/GPS/130/9/14 MC – 11 of 07 July 2013 and No.BD/GPS/130/14/MC-ii of 06 January 2016.

Eventhough filed officers who received motor bicycles should pay the market value of the motor bicycle when he transferred to a post which is non allowable of motor bicycle, above regulations had not been followed by the Wennappuwa Divisional Secretariat.

(d) Other Circulars

District Administration
Circular No.1/99 of 09 April
1999.

Action had not been taken to get minimum deposit of Rs.1,000 from an officer upon receiving deposits from the employees in the Naththandiya Divisional Secretariat.

2.16 Internal Audit

Financial Regulation 133 concentrated that for the purpose of the discharge of the duties and responsibilities indicated in financial regulation 128, chief accounting officer should establish Internal Audit Units in their departments.

Whether it was planned to conduct audits in sixteen Divisional Secretariats twice a year in the prepared internal audit plan, any audit had not been carried out in four divisional secretariats in 2017 and audit in fourteen Divisional Secretarial had been carried out only one time.

2.17 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure for Personal Emolument

Upon performing functions stated in the above 2.1 Paragraph the Approved, Actual Cadre, Vacancies and Excess Cadre position as at 31 December 2017 is as follows. Department had spent Rs.571 million for salaries and wages during the year under review. Therefore expenditure per person was Rs.376,763.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excess
(i) Senior Level	76	65	11	-
(ii) Tertiary Level	42	16	26	-
(iii) Secondary Level	1,572	1,283	289	-
(iv) Primary Level	175	143	32	-
(v) Other (casual / contact/08 Temporary basis)		9	-	01
Total	1,873	1,516	358	01

Without proper approval, the Divisional Secretarial had recruited an employee on contract basis exceeding the approved cadre.

2.18 Delegation of Functions for Financial Control

Eventhough in terms of Financial Regulation135 the Accounting officer should delegate powers and authority in regard to the adequacy of internal control, eventhough cigas computer package, preparation of salaries, preparation of bank reconciliation had been delegated to a one officer and sroff duties and stores activities had been delegated to an another officer in Navagaththegama Divisional Secretariat.