

## **Appropriation Head -260 - District Secretariat – Nuwara - Eliya**

---

### **Report of the Auditor General on the District Secretariat Nuwara- Eliya and the Divisional Secretariats functioning thereunder – Year 2010**

---

#### **1. Key functions of the District Secretariat**

---

- (i) Functioning as the main Administrative Centre of the District.
- (ii) Protection of religious and cultural heritage of the District.
- (iii) Monitoring the affairs required for the sustainable development of the District.
- (iv) Implementation of development activities of the District in accordance with Government policies.
- (v) Monitoring and administration of activities of Divisional Secretariats.
- (vi) Training and development of staff.
- (vii) Operation of disaster management activities of the district.
- (viii) Operation of activities carried out by various Ministries and Departments within the District.
- (ix) Issue of weapons and explosive Licenses.
- (x) Financial Management of the District Secretariats and Divisional Secretariats.
- (xi) Ensuing the custodiam of assets and control.
- (xii) Organisation of national level festivals.

#### **2. Divisional Secretaries under District Secretariat**

---

- (i) Nuwara- Eliya
- (ii) Ambagamuwa
- (iii) Walapane
- (iv) Kothmale
- (v) Hanguranketha

### 3. Annual Action Plan

-----

The Annual Action Plan had been prepared by the District Secretariat at the beginning of the year.

### 4. Accounts

-----

#### 4:1 Total Provision and Expenditure

-----

The total net provision for the Nuwaraeliya District Secretariat and its 5 Divisional Secretariats amounted to Rs.363,100,000 out of which a sum of Rs.309,296,662 had been utilized at the end of the year under review. Accordingly, the net savings of the District Secretariat and Divisional Secretariats amounted to Rs.53,803,338 thus representing 15 per cent of the total net provision. Particulars are given below.

Nature of Expenditure	Annual Total estimated provision	Total Net Provision	Actual Expenditure (as at 31 December 2010)	Savings (as at 31 December 2010)	Savings as a percentage of Total net Provision
	Rs.	Rs.	Rs.	Rs.	%
Recurrent	243,450,000	243,450,000	234,558,250	8,891,750	3.65
Capital	119,650,000	119,650,000	74,738,412	44,911,588	37.53
<b>Total</b>	<b>363,100,000</b>	<b>363,100,000</b>	<b>309,296,662</b>	<b>53,803,338</b>	

## 4:2 Utilization of Provisions received from other Ministries and Departments

- (i) A total provision of Rs.1,520,195,189 as detailed below had been given by the other Ministries and Departments for various activities and the particulars of those provisions are given below.

Expenditure Head	Ministry/ Department	Provision Received	Actual Expenditure	Savings As at 31 December 2010
		Rs.	Rs.	Rs.
002	Prime Minister's Office	3,125	-	3,125
101	Ministry of Buddha Sasana and Religious Activities	200,000	194,000	6,000
103	Ministry of Defence	230,379	222,369	8,010
105	Ministry of Economic Development	917,674,953	640,723,333	276,951,620
106	Ministry of Disaster Management	5,719,860	5,391,538	328,322
110	Ministry of Justice	1,082,500	609,562	472,938
116	Ministry of Co-operatives and Internal Trade	261,686	261,686	-
118	Ministry of Agriculture	157,000	107,500	49,500
120	Ministry of Child Development and Women Affairs	19,662,110	16,904,512	2,757,598
121	Ministry of Public Administrations and Home Affairs	4,040,214	2,865,585	1,174,629
124	Ministry of Social Services	2,146,910	1,992,980	153,930
127	Ministry of Labour Relations and Productivity Promotion	132,000	96,777	35,223
133	Ministry of Technology and	3,929,539	2,764,884	1,164,655

	Research			
134	Ministry of National Languages and Social Intergration	32,250	20,340	11,910
140	Ministry of Livestock Resources and Rural Community Development	157,035	67,835	89,200
145	Ministry of Re-settlement	590,260	112,051	478,209
153	Ministry of Land and Land Development	21,764,576	21,746,368	18,208
156	Ministry of Youth Affairs	1,422,851	1,407,407	15,444
160	Ministry of Environment	400,000	316,400	83,600
173	Ministry of Public Management Reforms	1,575,000	1,357,000	218,000
201	Department of Buddhist Affairs	5,579,995	5,313,697	266,298
204	Department of Hindu Religious and Cultural Affairs	700,000	668,838	31,162
206	Department of Cultural Affairs	3,750	3,520	230
216	Department of Social Services	1,040,295	958,095	82,200
217	Department of Probation and Child Care Services	1,806,755	1,693,967	112,788
218	Department of Samurdhi Commissioner General	279,709,995	248,115,557	31,594,438
219	Department of Sports Development	7,500,000	7,479,342	20,658
226	Department of Emigration and Immigration	6,660	6,615	45
227	Department of Registration of Persons	354,394	56,851	297,543
252	Department of Census and Statistics	1,477,877	969,865	508,012
253	Department of Pensions	239,973,546	230,107,841	9,865,705

254	Department of Registrar General	546,128	540,788	5,340
282	Department of Irrigation	100,000	-	100,000
286	Land Commissioners Department	28,010	24,825	3,185
307	Department of Motor Traffic	335,000	241,797	93,203
	Total	1,520,425,568	1,193,392,394	327,033,174

- (ii) Even though a sum of Rs.2,065,350 for 2810 bags of 50 kg. cement and a sum of Rs.1,658,301 for 3660 litres of paint had been paid for the reconstruction of incompletd Hindu Religious Centres in the Nuwara-Eliya District under the provision of Rs.14,318,535 received from the Ministry of Economic Development, action had not been taken to get such stock even up to the date of audit on 28 February 2011 even after a lapse of 425 days and 152 days respectively from the date of payment.
- (iii) According to the audit test check carried out in respect of cement purchased for the distribution to the Religious Centres in the Nuwara-Eliya District, Construction works of which were not completed, it was revealed that 550 bags of cement valued at Rs.404,250 had been distributed to 5 Hindu Religious Centres, the construction work of which had been fully completed. Written statements given for audit revealed that those stocks of cement had been misused.
- (iv) A field inspection carried out in respect of 2345 bags of cement valued at Rs.1,694,175 issued to 31 Hindu Religious Centres construction work of which was not completed within the 4 areas of Divisional Secretariats in the Nuwara -Eliya District observed that those stocks could not be utilised. Thus, 660 bags of cement valued at Rs.490,245 distributed to another 12

Hindu Religious Centres withing the same area of authority had not been utilised and remaind in the Kovil premises as redundant stores even by the time of audit.

- (v) The Turnover Tax amounting to Rs.55,271 recoverable on the purchase of cement for development work had not been recoverd and remitted to the Provincial Commissioner of Revenue, in terms of Circular No. 01/2011 dated 17 July 2001 of the Central Province Commissioner of Revenue.
- (vi) The Witholding Tax amounting to Rs.10,526 recoverable from a payment of Rs.210,525 made in respect of purchase of pirikara from a private institution under expenditure item No. 105-2-11-3-2502 on voucher No. 1170 dated 29 December 2009 had not been recovered and remitted to the Commissioner General of Inland Revenue in terms of Section 153 of the Inland Revenue Act No. 10 of 2006.
- (vii) It was established that cement and paint purchased at Rs.527,830 utilizing a provision of Rs.800,000 received for 8 religious centres at Rs.100,000 per centre under the construction and reconstruction of 28 Religious Centres in the Nuwara -Eliya district from the provision of Rs.3,000,000 for the years 2009 and 2010 of the Department of Hindu Religious and Cultural Affairs had not been received by the Centres stated in the relevant distribution list.
- (viii) Musical instrument and computer accessories valued at Rs.666,450 purchased under expenditure item 105-2-1-5-2502 for distribution among various societies in the year 2009 had not been distributed to relevant societies and retained in the stores of the Planning Division of the District Secretariat even by 20 December 2010.
- (ix) Eventhough a payment of Rs.1,999,960 had been made on 18 November 2009 under expenditure item 105-02-2-2502 (01) for the purchase of 6063 plastic containers under popularisation of use of plastic containers from

the provision for the year 2009, steps had not been taken to distribute 2639 containers valued at Rs. 861.610 among Divisional Secretariats even by the date of audit on 15 December 2010 and retained in the District Secretariat premises. Even though payments had been made for 903 containers valued at Rs.270,900 to the relevant institution on 28 December 2009 that stock had not been received even by 15 December 2010.

- (x) In terms of accounting instructions No. 1 circular on Gama Neguma Jathika Saviya of the secretary to the Ministry of Nation Building and Estate Infrastructure Development, the administrative expenses should not be utilised for purposes outside the project supervision and for the purchase of capital assets. Nevertheless, capital assets valued at Rs.513,121 had been purchased by utilising the provisions given for the estate road development under expenditure item 105-2-11-3-2502 contrary to such instructions.

#### 4.3 Audit and Scope of Audit

---

Audit of financial statements, reconciliation statements, books and records, appropriation account including other records and Advances to Public Officers account of the Nuwara-Eliya District Secretariat for the year ended 31 December 2010 was carried out under my directions 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 had been issued to the District Secretary on 08 August 2011. Audit observations, comments and findings on the accounts and reconciliation statements are based on a review of accounts and reconciliation statements presented to audit and substantive 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.

4.4 Responsibility of the Chief Accounting Officer and the Accounting Officers for the Accounts and Reconciliation Statements.

---

Chief Accounting Officer / Accounting Officer is responsible for the maintains, preparation and fair presentation of the Appropriation Account, Advances to Public Officers Account and the Reconciliation Statements in accordance with Articles 148,149,150 and 152 of the Constitution of the Socialist Republic of Sri Lanka, other statutory provisions, 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.

4.5 Audit Observations on Accounts and Reconciliation Statements

---

According to the financial records, books and records as at 31 December 2010, the appropriation account of the District Secretariat, Nuwara-Eliya, Advances to Public Officers Account and the position of reconciliation statements had been satisfactorily prepared, except the general observations appearing from (a) to (f) in this report and other main audit observations and findings appearing from paragraphs 4.6 to 4.13.

(a) Presentation of Accounts

---

- (i) The following account had not been presented to audit by the District Secretariat even by 31 March 2011.

Head	Name of Account
----- 260	----- Appropriation Account

- (ii) The following registers had not been maintained by the District Secretariat and the audit test check observed that certain registers had not been properly maintained and updated.

Type of Register	Relevant Financial Regulation (F.R)	Observations
-----	-----	-----
Security Deposits	F.R. 891	Registers not maintained

- (iii) Six audit queries issued to the District Secretariat during the year under review and one audit query issued in previous year had not been replied even by 31 March 2011.

(b) Budget Variance

-----

- (i) The entire net provision of Rs.400,000 made for one item of expenditure under Head 260 had been saved.
- (ii) There were savings of Rs.48,119,907 relating to 18 expenditure items and such savings ranged from 12% to 87% of the net provision.

(c) General Deposit Account

-----

- (i) Action in terms of Financial Regulation 571 had not been taken in respect of deposits for more than 2 years amounting to Rs.25,752,679 relating to the Nuwara-Eliya District Secretariat and 5 Divisional Secretariats.
- (ii) A sum of Rs.335,872 given by the other Ministries and Departments to the District Secretariat, Nuwara -Eliya for various purposes had been remained in the deposit account without being used for the relevant purposes.

(d) Reconciliation Statement of the Advances to Public Officers Account

---

According to the Reconciliation Statement of the Advances to Public Officers Account No.26001 as at 31 December 2010 the total outstanding balances amounted to Rs.670,970 as at that date. The follow up action on the recoverability of these balances had been at a weak level.

4.6 Assets Management

---

(a) Idle and Underutilised Assets

---

Audit test checks observed that the following assets had been idle or underutilised.

Type of Assets	Number of Units	Period of Idling or Underutilized	Relevant District / Divisional Secretariat
Vehicles	04	2 years	Divisional Secretariat - Hanguranketha
Vehicles	04	6 to 14 years	Divisional Secretariat - Walapane
Drill Stands	01	2 years	Divisional Secretariat – Nuwara-Eliya
Bosch Type Drill (2800vots)	01	- do -	- do -
Internal Telephones	272	- do -	District Secretariat
Photocopy Machines	01	- do -	- do -
Toshiba Computers	01	- do -	- do -
Over head Projectors	01	- do -	Divisional Secretariat – Nuwara-Eliya

(b) Assets given to External Parties

-----

Instances of the releasing certain assets improperly to external parties by the District Secretariat were observed. Particulars are given below.

Type of Assets	Number of Units	Institution to which assets were given	Value	Period
-----	-----	-----	-----	-----
			Rs.	
(i) Lands	01	Vocational Training Authority	1,600,000	Since 2007
(ii) Buildings	02	- Central Provincial Council - Vocational Training Authority	Cannot be ascertained	Since 2010

(c) Unsettled Liabilities

-----

The unsettled liabilities by the District Secretariat as at 31 December 2010 amounted to Rs.78,189 and these liabilities had been less than 01 year.

(d) In the examination of inventory register maintained by the District Secretariat, Nuwara-Eliya from 1994 to 2007 an excess of 345 units relating to 12 stores items and a shortage of 538 units relating to 19 stores items were observed.

(e) In the comparison of old stock books maintained by the stores of the District Secretariat Nuwara-Eliya in the year under review, with the balances handed over to the new store keeper an excess of 578 units of 4 items and a shortage of 2599 units of 07 items were revealed.

- (f) Examination of inventory items in the District Secretariat, Nuwara-Eliya revealed that two huts with stands valued at Rs.70,000 purchased in the year 2009 had been given to an external party on 23 April 2010. Such equipments had not been returned to stores even by 31 March 2011.

#### 4.7 Non-compliances

---

- (a) Non-compliance with Laws, Rules and Regulations, etc.
- 

Instances of non-compliance with laws, rules, and regulations observed at audit test check are given below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
-----	-----	-----
	Rs.	
(i) Establishments Code Section 5:6 of Chapter XIX	51,102	Before obtaining the Secretary's approval or Chief Valuer's report, a fixed house rent of Rs.600 had been recovered from the Assistant Divisional Secretary of the Hanguranketha Divisional Secretariat on the government quarters given to him.
(ii) Financial Regulations (F.R)		
-----		
F.R. 104 (1)	28,000	The value of loss along with the government charges of 25% of a digital camera misplaced in the year 2009 in the Divisional Secretariat, Hanguranketha had not been recovered from the parties responsible and written off from books instead.

F.R. 104 (3)	320,150	Even though the responsible parties had been identified in respect of the loss caused to a vehicle belonging to the Divisional Secretariat, Ambagamuwa met with an accident after being prepared a preliminary enquiry, action had not been taken to recover the value of loss.
F.R. 115 (b)	15,715	Payments in respect of the previous year in the District Secretariat, Nuwara-Eliya had been made without obtaining the Accounting Officer's certificate.
F.R. 137	714,182	Payments in 8 instances in the District Secretariat, Nuwara-Eliya had been made on unapproved payment vouchers.
F.R. 245 (1)	1,322,155	Payments on 10 uncertified vouchers had been made by the District Secretariat, Nuwara-Eliya and a Divisional Secretariat.
F.R. 327 (a)	334,137	Even though a stock certificate should be attached to the stock register by acknowledging the receipt of goods, in making payments for stationery by the Hanguranketha Divisional Secretariat such stock certificates had not been obtained.

F.R. 371	589,214	Ad-hoc sub imprest had been issued to 5 Non-executives by the District Secretariat, Nuwara-Eliya.
F.R. 371 (2)(c)	2,254,573	Although ad-hoc advances should be settled immediately after the purpose of which it was completed, the settlement of such advances had been delayed for 3 to 214 days in the District Secretariat, Nuwara-Eliya.
F.R. 571	7,023,334	Action had not been taken in respect of 119 general deposit balances remaining for more than 2 years relating to 2 Divisional Secretariats.
F.R. 751	601,096	All goods received by government Departments should be immediately posted to the inventory register. Nevertheless, the District Secretariat, Nuwara-Eliya and a Divisional Secretariat had not taken action accordingly in 4 instances.
F.R. 780	2,023,000	Despite office equipment valued at Rs.4,597,456 had been purchased by the District Secretariat, Nuwara-Eliya during the past 2 years, equipment valued at Rs.2,023,000 had been purchased again during the year 2010. Action had not been taken to send the equipment to the other sub-offices and

retained in the office premises for 10 months.

F.R. 1646

Daily running charts in respect of one motor vehicle for the period January to December 2010 had not been presented for audit by the Walapane Divisional Secretariat.

(iii) Public Administration Circulars

---

(a) Circular No. E/2 ඇෂ  
dated 07 October 1993 of  
the Home Affairs and  
Provincial Councils State  
Secretary

Security deposits had not been kept by 10 officers in the District Secretariat and 22 officers in the Divisional Secretariat belonging to various grades.

(b) Circular No. 18/2001  
dated 22 August 2001 of  
the Ministry of Public  
Administration Home  
Affairs and  
Administrative Reforms

Even though the officers who serve for more than 5 years in one place should be subjected to be transferred, action had not been taken accordingly in respect of 11 officers in the District Secretariat, Nuwara-Eliya.

(c) Public Administration  
Circular Letter No.  
01/2002 dated 25  
February 2002 of the  
Secretary to the Ministry  
of Public Administration,  
Management Reforms.

State emblem and the name of Divisional Secretariat had not been embossed on 2 vehicles of the Hanguranketha Divisional Secretariat.

(iv) Treasury Circulars

---

Paragraph 3 of Treasury Circular Letter No. IAI/2002/02 dated 28 November 2002

A fixed assets register relating to 46 computers in the 2 Divisional Secretariats had not been maintained.

(v) Public Service Provident Fund Circular No. 1/2003 dated 02 December 2003 Director of Pensions and the Chairman of the Public Service Provident Fund Management Board

36,574

Action had not been taken to remit the Public Service Provident Fund contributions of a casual labourer in the District Secretariat, Nuwara-Eliya since May 2008.

(vi) Government Gazette (extra ordinary) of 20 October 2004

3,750,000

Even though the assessment value and relevant compensation for 4 blocks of private lands acquired by the Ambagamuwa Divisional Secretary on 2 February 2005 had been paid during the year 2010, boundaries of those lands had not been marked and the revenue earned on ten plantations had also not been credited to the government revenue.

(b) Non-compliance with Tax Requirements

---

Instances of non-compliance with tax requirement observed at audit test checks are given below.

(i) Withholding Tax

---

(a) The withholding tax of Rs.48,227 recoverable under section 153 of the Inland Revenue Act No. 10 of 2006 had not been recovered and remitted to the Commissioner

General of Inland Revenue by the District Secretariat Nuwara-Eliya and a Divisional Secretariat.

- (b) The withholding Tax with held withing one calender month should be remitted before the 15<sup>th</sup> day of the month following in terms of provisions in the Inland Revenue Act, No. 10 of 2006. Nevertheless, the withholding tax relating to the month of December 2010 amounting to Rs.322,278 had not been remitted to the Commissioner General of Inland Revenue even up to 12 April 2011 by the District Secretariat, Nuwara-Eliya.

(ii) Turnover Tax

---

Thurnover tax amounting to Rs.26,722 recovered under Section 03.1 of the Central Province Revenue Circular dated 17 July 2001 by the District Secretariat and 2 Divisional Secretariats had not been remitted to the Provincial Commissioner of Revenue.

4:8 Deficiencies in Operating Bank Accounts

---

(a) Long delays in the Preparation of Bank Reconciliation Statements

---

There were delays in the preparation of bank reconciliation statements relating to one bank account of the Walapane Divisional Secretariat.

Details are given below.

Bank Account	Year / month for which bank reconciliations were not prepared by 31 March 2011
--------------	--

---

Bank Account (i)	January 2009 to February 2010
------------------	-------------------------------

(b) Adjustable Balances

---

According to the analysis of adjustments shown in the Bank Reconciliation Statements prepared by the District Secretariat and 5 Divisional Secretariats for the month of December 2010, the following matters were revealed.

Particulars of adjustment	Age Analysis		
	More than 6 months less than 01 year	More than 1 year less than 3 years	Total
-----	-----	-----	-----
	Rs.	Rs.	Rs.
Cheques issued but not presented for payments	51,741	28,300	80,041

(c) Six cheques valued at Rs.1,619,088 written by the Divisional Secretariat, Kothmale had been retained in hand about 03 months without handing over to the relevant payees.

4.9 Irregular Transactions

---

Certain transactions made by the District Secretariat and 5 Divisional Secretariats had been irregular. Certain instances observed in audit are given below.

(a) Diviation from procedures of the Procurement Guidelines

---

A contract agreement had been entered into with a private firm by the District Secretariat on 23 September 2009 for providing Security Services to Nuwara-Eliya District Secretariat building and premises surroundings during the year 2010. Although a sum of Rs.1,079,730 could have been paid for the year a sum of Rs.1,719,570 had been paid. Therefore an overpayment of Rs.639,840 had been made, contrary to that agreement.

(b) Transactions Without Proper Authority

---

(i) Even though no provision was made for the purchase of office equipment for the official bangalow of the District Secretary Nuwara-Eliya, a sum of Rs.107,142 had been paid for the purchase of a photocopy machine for its use under expenditure Head 260.

(ii) Despite the Treasury instruction purchase of furniture to the government bangalow of the Divisional Secretary in terms of the letter No. PCP/360/239 dated 03 May 1994 of the Director General of National Budget, one bed and a metress valued at Rs.37,165 had been purchased for the bungalow resided by the Divisional Secretary Walapane and a vacumm cleaner had been purchased for the government quarters resided by the Divisional Secretary Kothmale for Rs.15,350 from Government Funds.

(c) Allowing Encrochments

---

A school teacher had encroched a part of the Unit Management Office for more than 22 years within the Ruwanpura Grama Niladhari Division which had been vested to the Divisional Secretary by the Mahaweli Authority of Sri Lanka. Action had not been taken either to recover rent or to aquire the possession of the property.

#### 4.10 Uneconomic Transactions

---

Even though a sum of Rs.1,169,789 had been paid during the year under review from expenditure head 260-1-1-0-1103 in respect of water and electricity bills relating to 17 other government institutions located within the District Secretariat premises, such money had not been reimbursed from those institutions.

#### 4.11 Operating Inefficiencies

---

- (i) Sports goods, furniture and roofing sheets purchased by incurring a sum of Rs.531,059 under decentralized provisions had been stored in 4 Divisional Secretariats premises without being distributed.
- (ii) 8600 galvanize roofing sheets and 1196 flat sheets valued at Rs.8,782,859 given to the Walapane Divisional Secretariat in the year 2004 for rural and urban low income families under the Indian loan programme had not been distributed. Out of them, 292 roofing sheets valued at Rs.268,170 had been misplaced in the year 2009.
- (iii) The Pension Gratuity of Rs.111,925 of an officer in the Kotmale Divisional Secretariat had been retained in the General Deposit Account from 09 January 2009 to 20 February 2011

#### 4.12 Human Resource Management

---

- (a) Approved Cadre and Vacancies
- 

Cadre position of the District Secretariat and 5 Divisional Secretariat as at 31 December 2010 are given below.

	Staff Category	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Cadre
(i)	Senior Level	28	21	07	-
(ii)	Tertiary Level	59	56	03	-
(iii)	Secondary Level	662	569	93	-
(iv)	Primary Level	78	68	12	02
(v)	Others	-	02	-	02
		827	716	115	04

#### 4.13 Internal Control

---

##### (a) Internal Audit

---

An internal audit division had not been established for the District Secretariat.

##### (b) Implementation of Management and Audit Committees

---

In order to improve the financial prudence Of the District Secretariat Audit and Management Committee had not been established in terms of Public Finance Circular No. PF/PE/3 dated 19 November 1999.

SC/LA