

## **Appropriation Head 276 - District Secretariat, Badulla**

### **Report of the Auditor General - Year 2012**

#### **1.1 Key Functions of the District Secretariat**

- (a) Co – ordination of Government functions
- (b) Collection of revenue
- (c) Implementation of Decentralized Budget Programme and Gama Neguma Programme.
- (d) Coordinating elections
- (e) Functioning as the agent for the implementation of the activities of other Ministries and Departments at divisional level.
- (f) Assisting functions of the Provincial Council

#### **1.2 Divisional Secretariats under the District Secretariat**

- (a) Mahiyangana
- (b) Rideemaliyadda
- (c) Kandaketiya
- (d) Meegahakivula
- (e) Soranatota
- (f) Lunugala
- (g) Badulla
- (h) Passara
- (i) HaliEla
- (j) Uvaparanagama
- (k) Welimada
- (l) Ella
- (m) Bandarawela
- (n) Haputale
- (o) Haldummulla

### 1.3 **Scope of Audit**

The Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Badulla for the year ended 31 December 2012 were audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the District Secretary on 13 November 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements 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 **Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements**

---

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions 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 records and the books for the year ended 31 December 2012, it was observed that except for the general observations appearing in (a) to (d) and major audit findings appearing in paragraphs 1.6 to 1.12 of this report the Appropriation Account and the Reconciliation Statements of the District Secretariat, Badulla had been satisfactorily prepared.

(a) Non –maintenance of Registers and Books

-----  
 The following registers had not been maintained by the District Secretariat and Divisional Secretariats and it was observed at the audit test check that certain registers had not been maintained properly in an updated manner.

Type of Documents	Relevant Regulation
-----	-----
(i) Inventory Registers of Official Bungalows	Section 8.2 of Chapter XIX of the Establishments Code
(ii) Register of Losses	Financial Regulations 110
(iii) Registers of Personal Emoluments	Financial Regulations 453
(iv) Receipts Classification Register	Financial Regulations 538
(v) General Deposits Balancing Account	Financial Regulations 565 (3)
(vi) Security Register	Financial Regulations 891

(b) Appropriation Accounts

(i) Total Provision and Expenditure

-----  
 The total net provision made for the year under review amounted to Rs.540,175,217 and out of that a sum of Rs.519,666,565 had been utilized up to the end of the year under review. Accordingly, the net savings amounted to Rs.20,508,652 and it represented 3.8 per cent of the total net provision. Particulars 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	398,075,000	477,525,217	10,259,600	2.15
Capital	62,650,000	62,650,000	10,249,052	16.36
<b>Total</b>	<b>460,725,000</b>	<b>540,175,217</b>	<b>20,508,652</b>	

## (ii) Budgetary Variance

- The entire net provision amounting to Rs.875,000 made for two Objects had been saved.
- Excess provision had been made for 05 Objects and as such the savings thereunder after the utilization of provision ranged between 24 per cent and 95 per cent of the net provision relating to those Objects.
- A revised estimate so as to include the proposed savings had not been presented to the Department of National Budget in terms of paragraph 2.5 of the National Budget Circular No.155 dated 30 December 2011.

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

The District Secretariat had received provisions totalling Rs.4,427,404,866 comprising sums of Rs.3,140,558,799 and Rs.1,286,846,067 respectively from 19 Ministries and 16 Departments for various purposes. Out of that, a sum of Rs.4,282,823,126 comprising Rs.3,022,785,962 and Rs.1,260,036,164 respectively had been utilized up to the end of the year under review. Accordingly, it was observed that a sum of Rs.144,582,740 or 3.3 per cent of the provision received, had been saved.

The following observations are made.

- Ministry of Economic Development

-----  
One Work for One Village – Gama Neguma Programme  
-----

- Spreading of polythene had not been done for concreting to the Kandearawa Keeriyagolla Road which was constructed by the Divisional Secretariat, Soranathota by spending Rs. 1,114,008 whereas a sum of Rs.7,686 had been paid to the contracting society in this regard.
- The Divisional Secretariat, Badulla and the Divisional Secretariat, Haputale had not utilized Field Log Books for administration of 19 works valued at Rs.18,106,086 and 22 works valued at Rs.30,082,900 respectively and there was no evidence to prove that the works were examined by the officers in charge for supervision of works or necessary instructions were given to the contractors.
- The Divisional Secretariat, Haldumulle had overpaid a sum of Rs.68,054 to the relevant contracting society for item of works such as spreading of rubbles and spreading of river sands for two roads due to over measurement of road by 13.11 meters.
- Estimates had been prepared by utilizing the Road Rates prepared by the Department of Provincial Road Development and the expenditure for checking of samples had also been included in the above Rates by allocating 10 per cent for the overheads expenditure. But, the Divisional Secretariat, Haldumulle had prepared a special Rate comprising 20 per cent of profit and overheads expenditure for checking rubbles in the project of spreading rubbles and a sum of Rs.524,530 had been included again in the estimates for 30 projects of spreading rubbles. The above mentioned amount had been paid to the relevant contracting societies.

- Preparation of Estimates

-----

In terms of paragraph 4 of the Guidelines No.MED/RE dated 02 September 2011 of the Ministry of Economic Development relating to the implementation of Gama Neguma Programme for the year 2011, an amount not more than 20 per cent of the total estimate should be deducted for unskilled labourers for the implementation of Gama Neguma Programme. The Divisional Secretariat, Badulla had overpaid a sum of Rs.418,854 for 15 sponsoring societies due to making assessment for unskilled labourers without considering the above provision in order to deduct an amount not more than 20 per cent based on the maximum amount could be paid to the contractors implementing the programme and improper assessment for unskilled labourers utilized for the project.

Contrary to the instructions of the above letter, estimates had not been prepared separately for materials, labourers and other expenditure while preparing estimates for 567 projects in 15 Divisions of the Divisional Secretariats of the District of Badulla. A sum of Rs.39,706,049 had been overpaid as profit thereon to the contractors who had implemented the project, by preparing estimates utilizing the road and building rates.

- Decentralized Budget Programme

-----

Four hundred and thirty seven units of goods valued at Rs.661,650 of the Divisional Secretariat, Mahiyangana, 74 hoes valued at Rs.29,450 of the Divisional Secretariat, Soranathota and 183 equipment valued at Rs.354,000 of the Divisional Secretariat, Uvaparanagama had existed at the stores without distributing to the beneficiaries.

- Divineguma Development Programme

-----

- Action in terms of paragraph 05.01.02 of the Circular No.2/2012 dated 10 July 2012 of the Secretary of the Ministry of Economic Development had not been taken while distributing plants valued at Rs.1,019,875 and Rs.2,494,400 respectively by the Divisional Secretariat, Badulla and the Divisional Secretariat, Hali Ela in the year 2012.

- Action in terms of paragraph 02 of the above Circular had not been taken to obtain the contribution of the Facilitating Officers and necessary coordination of the Officers of Technology and Project Services to identify the beneficiaries and there was no evidence to prove that action had been taken accordingly by any officer other than Grama Niladharies.

- According to the test check carried out at 195 units of houses in the Divisional Secretariat Divisions of Badulla and Hali Ela, books provided

for maintaining records relating to the supervision at household levels in terms of paragraph 04 of the above mentioned Circular had not been provided for any house.

- Out of a sum of Rs.536,685 paid to the Department of Export Agriculture on 31 December 2012 by the District Secretariat, Badulla to purchase minor export crops in order to distribute among the beneficiaries under the Divineguma Programme, plants valued at Rs.320,156 had not been received by the Department of Export Agriculture up to 10 July 2013.
- Assistance had been granted to 04 Divisional Secretariat Divisions under the Divineguma Programme to purchase 1,380 chicks by spending Rs.322,000 for 150 beneficiary families and to prepare chicken cages for 52 families. According to the test check carried out at the selected 92 families, out of 920 chicks provided to the beneficiaries, 180 chicks had died and 199 chicks had been sold. The balance chicks were 571. It was not informed to the Office of the Veterinary Surgeon to take action with regard to chicks which were died.
- It was unable to obtain the expected benefits from the Project due to deficiencies such as providing farm chicks instead of village chicks, not preparing the chicken cages according to the standards specified and excess of expenditure for maintenance of chicks than the benefits obtained thereon.

■ Ministry of Child Development and Women Affairs  
Sri Lanka Women's Bureau

-----

- Out of the Revolving Credit Funds of the Divisional Secretariat, Mahiyangana amounting to Rs.270,000 provided for the years 1994 and 1995, a sum of Rs.108,245 had remained outstanding from 32 members of 10 Societies who had defaulted the payments. Loans amounting to Rs.200,000 provided for 08 defunct societies had been deposited in the Bank Accounts of those Societies without utilizing the relevant purposes.
- Out of the loans granted to 05 Women Societies by the Divisional Secretariats, Welimada and Hali Ela, loans amounting to Rs.129,175 provided to 12 beneficiaries from the loans granted to 05 Women Societies had not been recovered.
- Even though there was a savings of Rs.209,483 representing 55 per cent of the provisions made for the Milk Cup Programme implemented at the area of the Divisional Secretariat, Haputale, action had not been taken for introducing this programme for 827 students of 21 preschools.

■ Department of Probation and Child Care Services

-----

Out of a sum of Rs.327,600 provided for 15 Divisional Secretariats for the year 2012 by the District Secretariat, Badulla under the Kepakaru Deguru Assistance

Programme, a sum of Rs.200,100 had been saved due to non-implementation of the relevant programme properly by the Divisional Secretariats.

■ Department of Pensions

-----  
 The Divisional Secretariat, Hali Ela had been overpaid a sum of Rs.1,363,294 to 23 pensioners due to not taking action in terms of Public Administration Circular No.12/2005 dated 18 May 2005 and Pension Circular No.08/2010 dated 07 September 2010.

(c) Advances to Public Officers Account

-----  
 Limits Authorized by Parliament

-----  
 The limits authorized by Parliament in respect of Advances to Public Officers Account Item No.27601 and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
42,000,000	44,332,711	26,000,000	47,719,150	146,000,000	123,760,136

According to the Reconciliation Statement of the Advances to Public Officers Account as at 31 December 2012, the balances that remained outstanding as at that date totalled Rs.7,563,702 and the follow up action on the recovery of those outstanding balances had been at a weak level.

(d) General Deposit Account

-----  
 The balance of the General Deposit Account as at 31 December 2012 was Rs.442,362,249. Action in terms of Financial Regulation 571 had not been taken in respect of 70 deposits amounting to Rs.2,571,414 remaining over 02 years.

1.6 Assets Management

-----  
 Conduct of Annual Boards of Survey

-----  
 The Boards of Survey had not been carried out for the year 2012 with regard to 35 official quarters belonging to the District Secretariat and 10 official quarters belonging to 03 Divisional Secretariats in terms of Financial Regulation 756.



1.7 Non-compliances

-----

Non-compliances with Laws, Rules and Regulations

-----

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

Reference to Laws, Rules and Regulations	Value Rs.	Non-compliances
-----	-----	-----
(a) <u>Establishments Code</u>		
(i) Section 5 of Chapter XIX	153,656	Rentals had not been recovered from two officers who had occupied two official quarters of the Divisional Secretariats, Lunugala and Mahiyangana.
	19,374	The recovery of rentals of the official quarters from two officers of the Divisional Secretariat, Soranatota had been made constantly without making amendments as per the salary increments.
(ii) Section 5.4 of Chapter XIX	67,752	The rentals of official quarters had not been recovered from the spouses of two officers occupied the official quarters of the Divisional Secretariat, Soranatota.
(b) <u>Financial Regulations</u>		
(i) FR 371(5)	315,149	The sub imprest received by 06 Divisional Secretariats from other Ministries and Departments had been retained at the General Deposit Account without settling to each Department as at the end of the accounting year after completion of the relevant

		activities.
(ii) FR 751	682,689	The goods purchased by the Divisional Secretariat, Badulla had not been included in the stock books and issued through the issue orders.
(c) Public Administration Circulars -----		
Circular No.41/90 dated 10 October 1990		Checking of fuel for 12 vehicles had not been carried out once in 06 months by 06 Divisional Secretariats.
(d) Pension Circulars -----		
Paragraph 08(11) of the Circular No.04/2010 dated 25 May 2010	29,220	Contributions recovered by the Divisional Secretariat, Bandarawela from the employees who are not eligible for pensions, had been retained at the General Deposits Account without remitting monthly to that Fund.

## 1.8 Weaknesses in the Implementation of Projects

-----

Matters revealed at the audit test checks relating to projects implemented without proper standards and projects executed after delays are given below.

### (a) Projects Implemented without proper Standards

-----

The construction of Indigahadowa community hall had been carried out by the Divisional Secretariat, Uvaparaganama by spending Rs.725,166 without preparing an approved plan and there were cracks in the wall around the building at 25 places from up to down. The flat form of the building had also cracked at 15 places. Five iron bars

at the size of 16 millimeter had not been used for scrolling sheets. According to the weight of the iron, a sum of Rs.10,985 had been overpaid.

(b) Projects Commenced after Delays

-----  
Instances of commencement of projects after delays were as follows.

- (i) Two works such as construction of Welanhinne main road and development of Haputale Railway Station road at the total value of Rs.2,052,373 had not been commenced by the Divisional Secretariat, Haputale up to 14 December 2012.
- (ii) The construction work of concreting to the new village road at Nikapotha East in the area of the Divisional Secretariat, Haldamulle which should be completed on 20 June 2012 had been commenced on 18 September 2012.

**1.9** Deficiencies in the Operation of Bank Accounts

-----  
Balances for Adjustment

-----  
Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements prepared for the month of December 2012 by the District Secretariat, Badulla is given below.

Particulars of Adjustments

Age Analysis

-----	More than 6 months less than 1 year	More than 1 year less than 3 years	More than 03 years	Total
				Rs.
(a) Cheques issued but not presented for payment	141,933	-	-	141,933
(b) Unidentified debits	-	-	69,299	69,299

1.10 Losses

-----

Observations on losses revealed at the audit test checks are given below.

- (a) The activities of obtaining reports relating to 03 vehicle accidents and recovery of losses amounting to Rs.136,475 had been delayed.
- (b) Enquiries relating to the shortage of 80 items valued at Rs.49,205 at the official quarters of the Divisional Secretariat, Mahiyangana according to the Boards of Survey carried out in the year 2008 and as at 31 December 2009, had not been completed up to 31 December 2012.

1.11 Management Weaknesses

-----

- (a) Hundred and forty one cheques valued at Rs.3,180,292 not handed over to the payees by 06 Divisional Secretariats had not been kept at the safe.
- (b) Personal files of 34 officers of the District Secretariat and 05 Divisional Secretariats had not been updated.
- (c) It was unable to take suitable action relating to safety of assets due to not using identification codes on fixed assets and non-maintenance of registers in Form General 287, 288 and 290 in an updated manner by the District Secretariat and 10 Divisional Secretariats.

1.12 Human Resources Management

-----

Approved and Actual Cadre

-----

The cadre position as at 31 December 2012 was as follows.

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Surpluses
	-----	-----	-----	-----	-----
(i)	Senior Level	52	46	06	-
(ii)	Tertiary Level	45	20	25	-
(iii)	Secondary Level	1050	796	256	02

(iv) Primary Level	137	125	24	12
(v) Others (Casual)	-	-	-	-
	-----	-----	-----	-----
Total	1284	987	311	14
	=====	=====	=====	=====

The following observations are made.

- (i) Action had not been taken up to the end of the year under review to fill 311 vacancies.
- (ii) Action had not been taken to obtain proper approval for employees recruited excessively.