

1:1 Key Activities of the District Secretariat

- (a) Functioning as the main Administrative Center of the District.
- (b) Protection of religious and cultural heritage of the District.
- (c) Monitoring the affairs required for the sustainable development of the District.
- (d) Implementation of development activities of the District in accordance with Government policies.
- (e) Monitoring and administration of activities of Divisional Secretaries.
- (f) Training and development of staff.
- (g) Operation of disaster management activities of the District.
- (h) Operation of activities carried out by various Ministries and Department within the District.
- (i) Issue of weapons and explosives Licences.
- (j) Financial Management of the District Secretariats and Divisional Secretariats
- (k) Ensuring the custody of assets and control.
- (l) Organization of national level festivals.

1:2 Divisional Secretariats under the District Secretariat

- (a) Nuwara Eliya
- (b) Ambagamuwa
- (c) Walapane
- (d) Kotmale
- (e) Hanguranketha

1:3 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Nuwara Eliya for the year ended 31 December 2013 was carried out in pursuance of provisions in 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 05 August 2014. 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 the Reconciliation Statements 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 and Public Finance 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 Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (f) and other major audit findings appearing in paragraphs 1:6 and 1:14 herein, the Appropriation Account and the Reconciliation Statement of the District Secretariat, Nuwara Eliya had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed during the course of test checks that the District Secretariat had not maintained the following registers.

Type of Register	Relevant Regulation
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Register of Losses and Damage	Financial Regulation 110
Register of Counterfoil Books	Financial Regulation 341(2)
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978.

Motor Vehicle Log Books
Register of Assets on Computer
Accessories and Software

Financial Regulation 1645
Treasury Circular No. 1A1/2002/02 dated
28 November 2002.

(b) Replies to Audit Queries

Replies to 04 audit queries issued in the year under review and 06 audit queries issued in the preceding years to the District Secretariat had not been furnished even by 30 June 2014. The value of quantifiable transactions relating to those audit queries amounted to Rs.43,965,269.

(c) Appropriation Account

The following observations are made.

(i) Total Provision and Expenditure

The total net provision made for the District Secretariat amounted to Rs.399,225,000 and a sum of Rs.382,792,174 out of that had been utilized by the end of the year under review. Accordingly, a sum of Rs.16,432,826 or 4.1 per cent of the net provision had been saved. Details appear below.

Expenditure	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
Recurrent	340,875,000	328,858,511	12,016,489	3.5
Capital	58,350,000	53,933,663	4,416,337	7.6
Total	399,225,000	382,792,174	16,432,826	4.1

(ii) Budgetary Variance

 The following observations are made.

- * The entire net provision of Rs.50,000 made for one Object had been saved.
- * Excess provisions had been made for 07 Objects and as such the savings after the utilization of provisions ranged between 21 per cent to 61 per cent of the net provisions relating to those Objects.

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

 Twenty four Ministries and 20 Departments had made available provision totalling Rs.1,566,600,779 for various activities and out of such provision Rs.501,990,689 and Rs.654,931,377 totalling Rs.1,156,922,066 had been utilized. Accordingly, sums of Rs.380,115,189 and Rs.29,563,524 respectively totalling Rs.409,678,713 had been saved by the end of the year under review and the savings represented 43 per cent and 4 per cent respectively of the provisions made available.

The following observations are made in this connection.

- * Provision totaling Rs.16,019,000 had been made available in the year 2013, for the supply of a nutrition bag of Rs.500 per breast feeding expectant mothers in the 05 Divisional Secretariats in the Nuwara Eliya District in accordance with paragraph 4.1 of the Circular No. 21 dated 05 September 2008 (New 2008 October) of the Commissioner General of Samurdhi. Even though the issue of a nutrition bag of Rs.500 for 20 months per mother for 3,518 mothers who are not Samurdhi beneficiaries receiving benefits at present, of low income groups and with less than Body Mass 1 in the areas of the 05 Divisional Secretariats, the nutrition allowances had been paid only to 732 mothers.
- * According to paragraph 5.1.2(2) of the Circular No. 02/2012 dated 10 July 2012 of the Ministry of Economic Development the purchase of seedlings by the Walapane Divisional Secretariat

should be done at the prices recommended by the Department of Agriculture. But, contrary to that, seedlings had been purchased by making an overpayment of Rs.46,970.

- * According to the above circular, transport expenses should not be included in supplying seedlings and in instances of orders placed on nurseries situated further than 15 kilometres, transport expenses should be incurred based on the prices of the District Pricing Committee. But, contrary to that the Walapane Divisional Secretariat had incurred Rs.35,000 as transport expenses on the seedlings purchased.
- * According to the letter No.CDWA/06/03/04/1/2013 dated 12 March 2013 of the Director, Children's Secretariat, a sum of Rs.3,828,700 had been made available for the supply of a glass of fresh milk for the children of the Pre-schools in the areas of the 05 Divisional Secretariats in the Nuwara Eliya District. Out of that money a sum of Rs.1,184,355 had been spent by 01 October 2013 and the balance sum of Rs.2,644,345 together with the sum of Rs.1,787,040 received in September 2013 for the Amabagamuwa Divisional Secretariat, had been held idling up to 31 December 2013.
- * The confirmation of the distribution of 945 plantain shoots purchased for Rs.118,125 under the Divineguma Project by the Amabagamuwa Divisional Secretariat among the beneficiaries had not been furnished to audit.
- * Forty eight school bags valued at Rs.38,088 provided by the Amabagamuwa Divisional Secretariat for distribution among the school children affected by the emergency disaster had not been distributed to the beneficiaries.
- * During the course of the audit test check of the domestic chicks purchased for Rs.868,000 by the Hanguranketha Divisional Secretariat, under the Divineguma Programme revealed that according to the statements made by the beneficiaries that 54 chicks out of 90 chicks valued at Rs.20,300 had died.

- * An examination of the follow up report for 920 chicks out of the 2,460 chicks purchased under the Divineguma Program and distributed among the beneficiaries, revealed that according to the written statements, 696 chicks valued at Rs.222,720 had died. Out of those, all the chicks supplied to 42 beneficiaries at the rate of 10 per beneficiary had died. The sum of Rs.348,720 including Rs.3,000 per beneficiary given for construction of cages had become a fruitless expenditure.

(d) Imprest Accounts

The imprest balances of the District Secretariat as at 31 December 2013 totalled Rs.1,138,993. The unsettled imprest balances to the District Secretariat as at 30 April 2014 totalled Rs.1,462,108. Out of that, balances amounting to Rs.1,138,993 existed from 04 April 2012 and 13 May 2013.

(e) General Deposit Accounts

The balances of the General Deposit Accounts of the District Secretariat and 05 Divisional Secretariats as at 31 December 2013 totalled Rs.100,515,704.

The following observations are made in this connection.

- (i) Action in terms of Financial Regulation 571 had not been taken in connection with 72 deposits totalling Rs.1,390,706 older than 02 years.
- (ii) Retention money and money received for other purposes amounting to Rs.2,009,436 of which the specified period had lapsed had not been credited to the public revenue in terms of Financial Regulation 571(3).

(f) Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by the Parliament for the Advances to Public Officers Account relating to the District Secretariat and the actual values are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
26001	30,000,000	27,025,872	18,800,000	29,419,182	120,000,000	66,324,561

The following observations are made in this connection.

- (i) According to paragraph 1.1.7 of the National Budget Circular No. 118 of 11 October 2004, action should be taken to refrain from showing the unsettled loan balances among Departments after the elapse of 03 months from the transfer of officers. Nevertheless, loan balances totalling Rs.675,378 relating to 04 officers transferred to other Departments/ Ministries had not been settled despite the elapse of 01 year to 19 years.
- (ii) According to Section 4 of Chapter XXIV of the Establishments Code, action should be taken for the recovery of the loan balances of officers who retire or terminate their services prior to completing the repayment of loans obtained. Nevertheless, action had not been taken for the recovery of loan balances amounting to Rs.128,976 relating to 05 retired officers of 03 Divisional Secretariats.
- (iii) Even though action in terms of Section 4.5 of Chapter XXIV of the Establishments Code should be taken for the recovery of the outstanding loan balances of officers interdicted, loan balances totalling Rs.491,595 relating to 10 interdicted officers of the District Secretariat and 03 Divisional Secretariats had not been recovered despite the elapse of periods ranging from 01 year to 07 years.

1:6 Good Governance and Accountability

Annual Action Plan

Even though the District Secretariat had furnished on 26 February 2013 an Annual Action Plan in terms of paragraph 3 of the letter No. PF/R/2/2/3/5(4) of 10 March 2010 of the Director General of Public Finance, the officers responsible for the achievement of the goals and targets set for the year had not been identified and included therein.

1:7 Asset Management

The following deficiencies were revealed during the course of the test checks of assets management.

(a) Idle and Underutilized Assets

The following observations are made.

- (i) Three motor vehicles had been idling in the District Secretariat, Nuwara Eliya over a period of 02 years.
- (ii) The building situated in the Nildandahinna Grama Niladhari Division reserved for the Circuit Bungalow of the Walapane Divisional Secretariat had not been used for any purpose over a period of about 06 years.

(b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) Action in terms of the Financial Regulation had not been taken on the excesses and shortage pointed out and other recommendations made in the Reports of Boards of Survey for the year 2013.
- (ii) Even though all receipts and issues should be properly brought to account, action in terms of Financial Regulation 751 had not been taken on 41 items of excess goods of the District Secretariat, Nuwara Eliya.
- (iii) Even though all goods received by Government Departments should be immediately brought to account in the stock book in terms of Financial Regulation 751(1), action had not been taken to record 147 items of goods of the District Secretariat Nuwara Eliya in the stock book.

(c) Assets given to External Parties

Ambagamuwa Divisional Secretariat had released a building valued at Rs.5,000,000 for the maintenance of a Co-coordinating Office of the Chief Minister of the Central Province.

(d) Irregular Use of Asset belonging to other Institutions

Instances of the use of assets belonging to other institution without approval by Kotmale Divisional Secretariat were observed during the course of audit test checks. Details appear below.

Category of Assets	Assets Owned by	Number of Assets
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(i) Lands	Mahaweli Authority of Sri Lanka	01
(ii) Buildings		02

(e) Unsettled Liabilities

The unsettled liabilities of the District Secretariat Nuwara Eliya, less than one year old as at 31 December 2013 totalled Rs.1,780,423.

1:8 Non-compliances

Non-compliance with Laws, Rule, Regulations etc.

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are given below.

Reference to Laws, Rules, Regulations	Value	Non-compliances
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	Rs.	
(a) Statutory Provisions		

(i) Section 22(2)(g) of the Firearms Ordinance (Cap. 682)	--	On the expiry of the licence issued for a firearm owned by a person, the firearm can be retained only for a period of 10 days and thereafter action in terms of paragraph 11 of the letter No. MOD/CS3/F/2/2013 of 18 September 2013 of the Secretary to the Ministry of Defence should be taken. But licences had not been obtained for 07 firearms of 05 Divisional Secretariats even by 31 July 2014.

(ii) Section 49 of the Measurement Units, Standards and Services Act, No. 35 of 1995.	--	The Measurement Services and Devices Inspectors attached to the Measurement Units Standards and Services Section established in the District Secretariat, Nuwara Eliya had carried out 54 raids in the year 2013 and 100 raids in the year 2012. But specified action had not been taken against 41 persons in 2012 and 29 persons in 2013 that had breached the provisions in the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. -----		
(i) Financial Regulations 102 and 756.	--	According to the Report of the Board of Survey of the Measurement Units, Standards and Services Section of the District Secretariat, Nuwara Eliya for the year 2012, shortage of 82 items of goods existed. The Board of Survey for the year 2013 had not been conducted even by 31 March 2014.
(ii) Financial Regulation 177	317,899	Money collected by the Measurement Units, Standards and Services Section established in the District Secretariat, Nuwara Eliya had not been remitted daily.
(iii) Financial Regulation 396(d)	29,851	Action had not been taken on cheques issued on the Bank Accounts of 02 Divisional Secretariats and lapsed due to not being presented for payment.
(c) Public Administration -----		
Circular No. 11/2006(1) 26 March 2008.		The Daily Running Charts of 03 official motor vehicles of the District Secretariat had not been presented to audit.
(d) Public Finance Circulars -----		
(i) Circular No. 446 of 01 September	117,999	(i) The District Secretary had obtained reimbursement of telephone expenses

2010			exceeding he approved limit.
		11,385	(ii) The Divisional Secretary, Kotmale had obtained reimbursement of telephone expenses exceeding the approved limit.
(ii)	Circular 353(5) of August 2004.	No. 31 2,370,000	Instead of co-opting an officer of the Department of Valuation for the valuation of motor vehicles for sale, the District Secretariat had valued 05 motor vehicles through the Examiners of Motor Vehicles of the Department of Motor Traffic.

1:9 Weaknesses in the Implementation of Projects

Instances revealed during the course of audit test checks of projects abandoned without commencing, projects abandoned without completing and project delays are given below.

(a) Projects Abandoned without commencing

District Secretariat had not commenced the following Projects coming under the provisions of the Ministry of Economic Development.

Divisional Secretariat	Number of Projects	Estimated Value	Due Date for commencement	Reasons for not commencing
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		Rs.		
Kotmale	02	4,000,000	--	Time not being adequate.
Ambagamuwa	14	20,163,005	--	Time not being adequate.
Nuwara Eliya	18	450,000	--	Projects implemented under Nuwara Eliya Pradeshiya Sabha.
Hanguranketha	07	700,000	--	These project had been referred for revision by the Ministers who proposed the projects. The revision had nto been approved even up to the 31 December 2013.

(b) Projects Abandoned without Completion

Instances of Projects abandoned without being completed by the Divisional Secretariat, Nuwara Eliya were revealed. Details appear below.

Project	Estimated Cost	Date of Commencement	Expenditure as at 31 December 2013	Reasons for Abandoning
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	Rs.			
Supply of Musical Instruments for the Youth Organization Bambarakolawatta Nuwara Eliya	100,000	2013.10.21	--	Description of the instruments were not clear for calling for quotations. Though the applicant was informed several times there was not responses.
Construction of Second Stage of Cultural Centre Upper Division of Olympia Estate.	2,000,000	2013.10.02	--	First stage of this work had not been completed due to a legal problems and the construction of the second stage has been suspended temporarily.

(c) Delays in the Execution of Projects

The particulars of delays in the execution of projects revealed during the course of test checks are given below.

Divisional Secretariat	Number of Projects	Estimated Cost	Due Date for Commencement	Due Date for Completion	Expenditure as at 31 December 2013	Reasons for Delay
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		Rs.			Rs.	
Nuwara Eliya	08	13,012,194	2013.09.12	2013.12.19	3,602,486	Delayed commencement of work by contractors.
Kotmale	02	801,500	2013.11.14	2013.12.25	--	Delay in acquisition of lands.

Ambagamuwa	37	14,066,269	2013.10.25	2013.12.20	--	These projects relate to Development Proposals for Kandurata Udanaya. Inadequacy of time for completion of projects, rain and difficulties in procuring raw materials.
Walapane	14	7,900,000	2013.12.25	2014.03.25	--	Revision of projects in December 2013 and rain.

1:10 Transactions without Authority

Transactions without authority revealed during the course of audit test checks are given below.

- (a) Out of the limited quotations obtained for the cleaning services of the District Secretariat, the higher bid of Rs.13,875 per employee had been selected instead of the bid of Rs.11,500 per employee. As such an overpayment of Rs.23,750 per month had been made at Rs.2,375 per employee for 10 employees.
- (b) The District Secretariat had entered into an agreement with a private company for procurement of security services for the office. According to the agreement a total of 10 employees should be deployed. Even though only 08 employees had been deployed for the office and the surrounding area payment had been made for 10 employees, thus resulting in an overpayment of Rs.317,342.
- (c) A Bolero Jeep belonging to the District Secretariat had been transferred to the Central Provincial Council without formal approval.
- (d) Despite the availability of a permanent Internet facilities for the purposes of the Kotmale Divisional Secretariat additional Internet Dongle connections in private names had been provided. The bills relating to that amounted to Rs.4,981.

1:11 Transactions of Fraudulent Nature

The following transactions of fraudulent nature were revealed during the course of audit test checks.

- (a) Forty eight roofing sheets valued at Rs.96,000 had been distributed under the decentralized provision of the Divisional Secretariat, Nuwara Eliya. Even though the standard weight of a 26 gauge roofing sheet is 15 kilogrammes, a physical examination revealed that the weight of the roofing sheets distributed by the office ranged between 4 kilogrammes to 4.3 kilogrammes. An overpayment of Rs.72,000 had been made due to the failure to purchase roofing sheets conforming to the standard specifications.
- (b) Even though 23 bags of cement had been purchase for Rs.22,080 under the Decentralized Budget Programme 2013 of the Divisional Secretariat, Nuwara Eliya for the construction of the drains systems of the Lindula Lameliar Urban Council Houses, an examination of the measurement revealed that only 10 bags of cement had been used. As such an overpayment of Rs.12,480 was observed.

1:12 Uneconomic Transactions

A sum of Rs.5,358 had been paid to the Municipal Commissioner Nuwara Eliya for the gully bowser for cleaning the sewerage system of the Divisional Secretariat, Komale. The expenditure had become fruitless as the gully bowser could not reach the place.

1:13 Management Weaknesses

The following management weaknesses were observed during the course of test checks.

- (a) Even though the District Secretariat had 42 motor vehicles, the information of 16 of those motor vehicles had not been recorded in the Register of Fixed Assets.
- (b) Even though all the activities expected to be achieved during a particular year should be included in the Annual Action Plan, the Action Plan prepared and presented by the District Secretariat for the year under review included only the capital expenditure amounting to Rs.58,350,000 relating to the rehabilitation and

improvement of motor vehicles, machinery and buildings, training and capacity building, construction buildings and structures, purchase of machinery, etc.

- (c) Even though 186 sets of internal telephones had been received from the State Engineering Corporation for the maintenance of the District Secretariat, Nuwara Eliya those had been retained in the stores even up to June 2014 without being installed.
- (d) Thirty seven items of goods valued at Rs.854,000 purchased for distribution under the decentralized provision of the Divisional Secretariat, Nuwara Eliya remained without being distributed to the beneficiaries even up to 20 January 2014, the date of audit.
- (e) A Grama Seva Officer attached to the Divisional Secretariat, Kotmale who had proceeded abroad on no-pay leave had made a written request on 09 May 2013 to resign from service as the approved period of leave was due for expire on 24 May 2013. No action thereon had been taken thereon even up to 11 November 2013 and as such action had not been taken for the recovery of the sum of Rs.582,800 recoverable for the failure to serve the compulsory service period.

1:14 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	32	22	10	--
(ii) Tertiary Level	12	09	03	--
(iii) Secondary Level	713	537	176	-
(iv) Primary Level	78	73	12	07
Reception Officer				
Driver				
Office Aids				
(v) Others (Casual/ Temporary/ Contract Basis)	-	04	--	04

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Total	<u>835</u>	<u>645</u>	<u>201</u>	<u>11</u>

The following observations are made.

- (a) The Secretariat had failed to fill 201 vacancies by the end of the year under review.
- (b) The Secretariat had not taken action to obtain formal approval for the excess cadre recruited.

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