

Head 263 - District Secretariat Hambanthota
Report of the Auditor General – Year 2013

1.1 Main Activities of the District Secretariat

- (a) Supervision of Government functions performed by Divisional Secretariats at divisional and village level and execution of functions vested legally and making relevant payments and collection of revenue.
- (b) Making payments and collecting revenue relating to other ministries and departments functioning as their agents.
- (c) Implementation of Development Activities under Decentralized Budget and other Development Programs at Divisional Secretariats level and relevant payments.
- (d) Participation in activities assigned to Provincial Councils when necessary and collection of revenue and payment works thereto.

1.2 Divisional Secretariats under the District Secretariat

- (a) Hambanthota
- (b) Ambalanthota
- (c) Tissamaharama
- (d) Lunugamvehera
- (e) Sooriyawewa
- (f) Angunakolapelessa
- (g) Tangalla
- (h) Beliattha
- (i) Okewela
- (j) Weeraketiya
- (k) Walasmulla
- (l) Katuwana

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 – Hambanthota for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the District Secretary on 14 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 Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

1.5 Audit Observation

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 (d) and major audit findings appearing in paragraphs 1.6 to 1.13 herein, the Appropriation Account and the reconciliation statements of the District Secretariat Hambanthota had been prepared satisfactorily.

(a) Replies to Audit Queries

Replies had not been furnished to 08 audit queries issued to the District

Secretariat during the year under review even as at 30 June 2014. The quantifiable value of transactions relating to those queries amounted to Rs.43,277,861.

(b) Appropriation Account

Following observations are made

(i) Total Provision and Expenditure

While the total net provision made for the District Secretariat amounted to Rs.778,985,452, a sum of Rs.776,123,024 had been utilized as at the end of the year under review. Accordingly, a saving of Rs.2,862,428 or 0.36 per cent of the net provision was observed. Details are shown below.

Expenditure	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
Recurrent	650,872,352	650,559,228	313,124	0.04
Capital	128,113,100	125,563,796	2,549,304	1.99
Total	778,985,452	776,123,024	2,862,428	0.36

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

Twenty eight Ministries and 19 Departments had made available provisions amounting to Rs.1,991,305,873 to the District Secretariat for various activities and out of those provisions, Rs.716,036,400 and Rs.1,269,791,882 respectively totalling Rs.1,985,828,282 had been utilized. Accordingly, provisions amounting to Rs.2,781,753 and Rs.2,695,838 respectively totalling Rs.5,477,591 had been saved by the end of the year under review. Those savings represented 0.27 per cent of the provisions made available.

Following observations are made in this connection.

- Although the provisions made available by a Ministry and 03 Departments had been Rs.18,622,532, total provision utilized by the District Secretariat had been Rs.20,479,129. Due to that, provision utilized had been exceeded in a sum of Rs. 1,856,597.
- Provision required for providing computer tables for information technology units in 05 selected schools in the Hambanthota District had been made available by the Ministry of Telecommunication and Information Technology. District Secretariat had purchased 100 revolving clerical chairs of Low Back type with Piyestra ECL001 arm at a rate of Rs. 6,061 per chair spending a sum of Rs.606,054, based on the Procurement Committee decision No. 2013-48. However, if the computer chairs were purchased at the lower quotation of Rs.4,600, as per the decision of the procurement Committee a sum of Rs.146,054 could have been saved. The above excessive payment was due to purchase of clerical chairs ,at a higher price without considering the suitability for the actual need.
- It had been informed in the letter No. ED/D/Gamaneguma/Overall Supervision –2012 dated 29 May 2012, of the Secretary to Ministry of Economic Development that inclusion of a special item of expenditure won't be approved for quality tests in the estimates for road concreting projects, under the Project " One Job for One Village" for the year 2012. However, a sum of Rs. 286,520 had been paid for quality tests in respect of 30 Development Projects of Interlocking Paving Implemented by Tangalla Divisional Secretariat.
- An agreement had been entered into with a Farmers' Society for concreting the Bengamukanda – Veveldeniya road in the area of authority of the Katuwana Divisional Secretariat for a contract of Rs.980,392 on 30 May 2012. A sum of Rs.871,676 had been paid as at 11 July 2013 date of audit to the contracted society. It was observed at the physical examination, that rubble had appeared from place to place on the road and that rubble at the edges in certain places had loosened. Name board had not been fixed as well.
- An agreement had been entered into with a Farmers' Society for concreting the Dangalakanda – Bathalakotuwa road in the

area of authority of the Katuwana Divisional Secretariat for a contract of Rs. 980,392 on 12 July 2012. A sum of Rs.870,209 had been paid as at 11 July 2013 to the contracted. It was observed at the physical examination carried out in audit that cement layer had been washed off and that rubble had appeared in many places of the road.

- The sample audit checks carried out with regard to distribution of coconut plants for commercial cultivation under Divineguma Program – 2013, in Angunakolapelessa Division, it was revealed that out of the 1652 coconut plants given to 09 beneficiaries, 1300 coconut plants had not been planted had been stacked near the homes.

(c) **Advances to Public Officers account**

Limits Authorized by the Parliament

Limits authorized by the Parliament on Advances to Public Officers Account relating to the Hambanthota District Secretariat and actual values are shown below.

Item No	Expenditure		Receipts		Debit Balance	
	Maximum	Actual	Minimum	Actual	Maximum	Actual
-----	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
26301	40,000,000	28,329,345	25,000,000	28,576,118	155,000,000	132,103,870

Following observations are made in this connection.

- (i) Loan balances totalling Rs. 307,080 due from three retired officers had been in arrear for a period in a range between 1 year and 5 years.
- (ii) Loan balances amounting to Rs. 260,122 due from three officers who had vacated their post in three Divisional Secretariats during the period from year 1996 to year 2012 had not been recovered even as at 31 December 2013.

(d) General Deposits Account

The balance of the General Deposits Account No. 6003/0000/00/0039/000 of the District Secretariat, Hambanthota as at 31 December 2013 was Rs. 250,190,316. Following observation is made in this connection.

A total sum of Rs. 13,858,327 made available during the period from year 2009 to year 2013 by other 23 Ministries and Departments for implementing of various activities had been retained in deposit accounts in District Secretariat and 06 Divisional Secretariats without performing the relevant works even as at 30 September 2014.

1.6 Assets Management

Following observations were made in audit sample checks carried out with regard to Assets Management

(a) Idle or Underutilized Assets

It was observed in audit sample checks that certain assets were lying idle or underutilized as analyzed below.

Type of Assets -----	No of Units -----	Idle or Underutilized Period -----
(i) Building	Agunakaolapelessa - 01	01 year
(ii) Vehicles	District Secretariat – Three wheeler 01 Divisional Secretariat Katuwana - Tractor Trailer	02 years 17 years

(b) Closing down of Nenasala Centre

Nineteen Items of various equipment such as Computer Equipment and Photo Copying Machines taken over by the Sooriyawewa Divisional Secretariat on 23 August 2012 due to closing down of Nenasala conducted under the Divisional Secretariat, remained idle in the stores of the of the Divisional Secretariat even as at 25 October 2013.

1.7 Non-compliance**Non-compliance with Laws, Rules and Regulations etc.**

Instances of non-compliance with laws, rules and regulations observed in audit sample checks are analyzed below.

Reference to Law, Rules and Regulations etc.	Value	Non-Compliance
-----	-----	-----
	Rs.	
(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka		

(i) Section 6.1 of Chapter XIX	-	Although the rental period of government quarters is restricted to 05 years, period of residency by 08 officers had exceeded 05 years.
(ii) Section 5.6 and 5.7 of Chapter XIX	130,280	Rental income recoverable for the period from May 2009 to December 2012, from the Management Assistant, (lady officer) who had been residing in the Chief Accountant's quarters of the District Secretariat had been under recovered in a sum of Rs. 130,280.

**(b) Financial Regulation of
Democratic Socialist Republic
of Sri Lanka**

Financial Regulation 104(3)

Although the Cab belong to the District Secretariat had met with an accident on 02 July 2012, preliminary report had not been furnished to audit up to 26 July 2013, of the date of audit.

(c) Public Administration Circulars

Circular No. 09/2009 dated 505,947
16 April 2009. Paragraph 2(IV)

Arrival and departure had not been substantiated through the finger print marking machine when making payment of overtime and holiday pay during the period from January 2012 to May 2013 in Divisional Secretariat Katuwa.

1.8 Weaknesses in Implementation of Projects

Abandonment of Projects without Commencing

Following Projects had not been commenced by two Divisional Secretariats.

Project	Estimated Cost	Date to be Commenced	Reasons for Non- commencement
-----	-----	-----	-----
	Rs.		
Construction of a drainage system to drain out water around Lunugamvehera, Ranawaranawa No. 1 Election Housing Road up to Kirindioya	2,536,925	2013.09.01	Objections by people living in the area.
Making 02 culverts in the Irrigation Channels System in Vijayapura Grama Niladhari Division, Tissamaharama.	30,000	2013.12.30	Inadequacy of time and amount allocated for the Project

1.9 Lapses in the Operation of Bank Accounts.

Balances to be Adjusted

According to analysis of adjustments shown in the bank reconciliation statement prepared by the Tissamaharama Divisional Secretariat for December 2013, value of unrealized deposits for more than 03 years amounted to Rs. 6,470.

1.10 Transactions of Contentious Nature.

Certain transactions of the District Secretariat were in contentious nature. Particulars relating to such transactions revealed in audit sample checks are shown below.

(a) Construction of the Wall around the District Secretary's Official Quarters.

Following observations are made in this connection.

- (i) While a Provisional sum of Rs. 500,000 had been estimated without showing specific items of works under Item R 03 of the estimate for the construction of District Secretary's Official Quarters for putting up the wall, a sum of Rs.1,545,384 had been paid to the relevant contractor without a proper approval at the end of the year 2013.
- (ii) In preparing a new estimate for the balance part of the wall of the official quarters during the year 2014, without preparing an estimate for the balance items of work, an estimate had been prepared for the entire wall. On 26 February 2014 an agreement had been entered in to with the contractor who constructed the Official Quarters for a sum of Rs. 6,993,874 after deducting a sum of Rs. 500,000 from that estimate. District Secretary had not signed the relevant agreement even up to 24 June 2014.
- (iii) Without recovering the overpayment of Rs. 1,045,384 made during the year 2013 for construction of the wall immediately, that amount had been dropped from the final payment report dated 05 June 2014 for the construction of District Secretary's official quarters. However, the final payment report had been prepared covering the overpaid amount as

expenditure on account of other works of the District Secretary's quarters.

- (iv) Although the contractor for construction of the wall should have been selected through open bid competition at national level in terms of Guideline 3.2 of the Code of Procurement Guidelines, the contractor had been selected without following the laid down procedure and agreement valued at Rs. 6,993,874 had been entered in to with the contractor on 26 February 2014. However, a provision of Rs. 6,000,000 only had been made in the 2014 Annual Estimates for the construction of District Secretary's official quarters.

(b) Inland Air Travel

While a cheque for a sum of Rs.179,520 Written on 31 December 2013 payable to an air travel company had been written by the District Secretariat on behalf of 30 staff officers at the rate of Rs. 5,984 per head for travel from Maththala to Katunayake and back and it had been kept in hand even as at 02 June 2014, date of audit. However, provision had not been made in the annual estimates for inland air travel and this recurrent expenditure had been accounted as a capital expenditure for construction of District Secretary's Quarters without proper approval.

(C) Purchase of Tyres

In terms of the Procurement Decision 2013/66 it had been decided to purchase 215/70x16 Road Stone type 6 PR tyres required for the cab vehicles own by the Divisional Secretariat. However, 40 Tyres of 215/70x 16 Maxxis type 5PR tyres had been purchased on 31 December 2013 from a certain private company having paid a sum of Rs.660,000. Although the Procurement Committee had decided in a earlier instance that the tyres required for the vehicles are 6 PR type, and had called for quotations, 5 PR Type tyres had been purchased without approval of the Technical Evaluation Committee.

1.11 Irregular Transactions

Certain transactions entered in to by the District Secretariat were irregular. Some instances of such transactions are shown below.

(a) Deviation from the Government Procurement Guide Lines.

- (i) At the examination of the Procurement Register maintained by the District Secretariat, it was revealed that procurement decisions had been taken without participation by the members of the Procurement Committee in the followings instances.

Participation by the Members -----	No. of Procurement Decisions -----	Value ----- Rs.
Non-participation by all the three members	06	15,892,104
Non- participation by two members	11	8,919,042
Non- participation by one member	07 ---	25,399,882 -----
Total	24 ==	50,211,028 =====

- (ii) Although the Procurement Committee of the Angunakolapelessa Divisional Secretariat had had met and taken decisions on 33 days, Committee Chairperson, Divisional Secretary had signed as present on 23 days without staying in the office. On those days she had been engaged on duties within the Division on outside duties and had taken travelling expenses as well.
- (iii) Thirteen Procurement Decisions of the Angunakolapelessa Divisional Secretariat relating to the year 2013 had been entered in the Procurement Register after 12 February 2014, date of audit.
- (iv) Approval should be obtained from the Secretary to Line Ministry for vehicle repairs exceeding Rs. 200,000 in terms of the Procurement Guide Line 9.3.1. However, a sum of Rs. 543,600 had been paid to a private company for repairing vehicle belongs to the Divisional Secretariat on 04 April 2013 without such an approval.

(b) Unauthorized Transactions.

Following expenditure had been incurred out of provision made available for the construction of Engineer's Official Quarters of the Hambanthota Divisional Secretariat without proper authority.

- (i) Although extra works amounting to Rs. 641,945 had been performed by the contractor, an estimate had not been prepared for the extra works.
- (ii) Excess work amounting to Rs..806,985 relating to 39 units, out of 93 estimated units had been performed.
- (iii) A sum of Rs.83,150 for fixing curtains to the Engineer's Official Quarters and Rs.80,000 to purchase T- shirts totalling Rs.163,150, had been spent out of the provision made available for the construction of Engineer's Official Quarters.

1.12 Management Weaknesses

Following weaknesses were observed in audit sample checks.

(a) Payments for Cleaning Services

In terms of the agreement for providing cleaning services in the Magam Ruhunupura Administrative Complex, 03 supervisors and 32 laborers have to be engaged in service daily during the specified time. Although there had been a deficiency in the daily attendance of the employees during January to August 2013, that had been disregarded and a sum of Rs.301,775 had been overpaid for 554 man days not attended for service.

(b) Recovery of Charges from Communication Antenna Systems

Following observations are made with regard to entering into agreements with three private telecommunication companies and recovery of charges for the establishment and maintenance of Communication Antenna Systems for providing communication service facilities and transmission in the Magam Ruhunupura Administrative Complex.

- (i) Secretary of the Welfare Association of the District Secretariat had entered in to long term agreements with two private telecommunication companies without any approval for fixing these antenna systems in the buildings of the administrative complex without any approval.
- (ii) Adequate evidence had not been furnished to audit regarding the basis for determining the agreement period and monthly charge.
- (iii) While a sum of Rs. 2,685,000 had been received to the Welfare Association Account from two private telecommunication companies as lease rent for the period from January 2012 to November 2013, out of that a sum of Rs.2,243,400 only had been credited to Government Revenue. Balance sum of Rs.441,600 as at that date had been retained in the Welfare Association account up to 25 November 2013, the date of audit.
- (iv) A sum of Rs.885,644 had to be recovered from the three companies on account of electricity consumption for establishment and maintenance of antenna systems as at 25 November 2013 the date of audit.

(a) Lease of Canteen

Following observations are made with regard to the Lease of Canteen of the District Secretariat.

- (i) A sum of Rs. 45,000 being monthly rent of the canteen located in the Hambanthota Administrative Complex for 9 months during the year 2012 had not been taken to revenue and had been credited to the account of the Welfare Association. Lease rent for the month of October, November and December 2012 had also not been recovered.
- (ii) An individual had run the canteen from January 2013 to May without signing a lease agreement and monthly rent also had not been recovered.
- (iii) In terms of the General Condition 2.4 of the bid form, selected bidder should furnish a performance bond for Rs. 200,000 obtained from an approved bank and should enter in to an agreement. Although agreement had been entered in to on 29 May 2013, action had not been taken to obtain the performance bond up to 24 September 2013, date of audit. The Office had allowed running the canteen without recovering the monthly rent.
- (iv) A sum of Rs. 50,397 due to the District Secretariat on account of 2122 units of electricity consumed by the person who managed the canteen

from January 2012 to May 2013 had not been recovered up to 24 September 2013, the date of audit.

(b) Non-recovery of Amounts due from an Officer Reinstated

A Management Assistant in service of the Hambanthota District Secretariat had been interdicted on 15 March 2012. He had been re-instated by a letter dated 12 March 2014. A sum of Rs. 10,000 out of the loss of Rs. 20,900 referred to in that letter, Rs.11,440, total of loan installments relating to the interdicted period for which salaries not paid and interest amounting to Rs. 20,842 had not been recovered up to 10 October 2013, the date of audit.

1.13 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

Category of Employee	Approved Carder	Actual Cadre	Number of Vacancies	Number of Surplus Carder
-----	-----	-----	-----	-----
(i) Senior Level	45	39	06	-
(ii) Tertiary Level	30	13	17	-
(iii) Secondary Level	991	832	226	67
(iv) Preliminary Level	122	113	12	03
(v) Other (casual/Temporary/ Contract basis)	01	05	-	04
	-----	-----	-----	-----
Total	1,189	1,002	261	74
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