

## **Report of the Auditor General on Head 263 – District Secretariat, Hambantota – Year 2014**

---

Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the District Secretariat and the Audit Observations on the Head appear in paragraph 3 onwards.

### **1. Divisional Secretariats under the District Secretariat**

---

- (a) Hambantota
- (b) Ambalantota
- (c) Tissamaharama
- (d) Lunugamvehera
- (e) Suriya wewa
- (f) Agunukolapelessa
- (g) Tangalle
- (h) Beliatta
- (i) Okewela
- (j) Weeraketiya
- (k) Walasmulla
- (l) Katuwana

#### **1.1 Scope of Audit**

---

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the District Secretariat, Hambantota appearing in paragraph 1 above for the year ended 31 December 2014 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 Accounting Officer on 14 July 2015. The audit observations, comments and findings 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 limitation of staff, other resources and time available to me.

#### **1.2 Responsibilities 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, and other Statutory Provisions, Public Finance and Administrative Regulations. The responsibility includes designing, implementing, maintaining internal controls relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

## 2. Accounts

### 2.1 Appropriation Account

#### (a) Total Provision and Expenditure

The total net provision made for the District Secretariat, Hambantota amounted to Rs.1, 005 million and out of that Rs.1, 003 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the District Secretariat, amounted to Rs.2 million or 0.2 per cent of the net provision. Details appear below.

Expenditure	As at 31 December 2014			Savings as a Percentage of Net Provision
	Net Provision	Utilisation	Savings	
	Rs.millions	Rs.millions	Rs.millions	
Recurrent	609	608	1	0.16
Capital	396	395	1	0.25
<b>Total</b>	<b>1,005</b>	<b>1,003</b>	<b>2</b>	<b>0.2</b>

#### (b) Utilisation of Provisions made available by other Ministries and Departments

Provisions totalling Rs.5,029.01 million comprising Rs.2,772.15 million and Rs.2,256.86 million had been made available by 33 Ministries and 20 Departments respectively for various activities. Out of those provisions Rs.4,941.55 million comprising Rs.2,748.17 million and Rs.2,193.38 million respectively had been utilised. Accordingly, a sum of Rs.23.98 million out of provisions made available by 11 Ministries and a sum of Rs.64.32 million made available by 08 Departments had been saved. The utilisation under the provisions of 05 Departments had been exceeded by a sum of Rs.0.84 million.

## 2.2 Advance Account

### 2.2.1 Advances to Public Officers Account

#### Limits Authorised by Parliament

The limits authorised by Parliament for the Advances to Public Officer Account of the District Secretariat, Hambantota and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balances	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.millions	Rs.millions	Rs.millions	Rs.millions	Rs.millions	Rs.millions
26301	35	35	25	27	155	140

### 2.3 General Deposit Account

The balances of the Deposit Accounts of the District Secretariat, Hambantota as at 31 December 2014 totalled Rs.983 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2014
	Rs.millions
6003/0000/00/0039/0000/000	683
6000/0000/00/0011/0598/003	300
	<b>983</b>
	<b>====</b>

### 2.4 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the Management Audit Report referred to in paragraph 1.1 herein, the Appropriation Account and the Reconciliation Statement of the District Secretariat, Hambantota have been prepared satisfactorily. The material and important observations out of the observations included in the Management Audit Report appear in paragraph 3 herein.

## 3. Head 263 District Secretariat, Hambantota

### 3.1 Non – maintenance of Registers and Books

The District Secretariat had not maintained a Register of Fixed Assets for Computers, Accessories and Software in terms of the Treasury Circular No. 1A1/2002/02 of 28 November 2002.

### 3.2 Replies to Audit Queries

Replies to 03 audit queries issued during the year under review and 05 audit queries issued in the preceding years to the District Secretariat had not been furnished even by 31 March 2015. The value of quantifiable transactions relating to those audit queries amounted to Rs.112,745,040.

### **3.3 Non-compliance with Limits**

-----

The limits on expenditure of the Advances to Public Officers Account Item No. 26301 of the District Secretariat, Hambantota authorised by Parliament amounted to Rs.35,000,000 whereas the actual amount as at the end of the year amounted to Rs.35,007,619. As such the maximum limit on expenditure had been exceeded by a sum of Rs.7,619.

### **3.4 Appropriation Account**

-----

#### **3.4.1 Provision made available by other Ministries, Departments and Offices**

-----

The following deficiencies were revealed during the examination of the utilisation of the provisions made available to the District Secretariat by other Ministries and Departments for various purposes.

- (a) Provisions totalling Rs.42,281,681 had been made available by 05 Departments to the District Secretariat for various purpose and a sum of Rs.43,120,832 had been utilised by exceeding the limit of those provisions by a sum of Rs.839,146.
- (b) The District Secretariat had selected 100 beneficiaries from each of 05 Divisional Secretariats in the Tissamaharama Electorate for setting up commercial poultry farms by utilising the provision made available by the Ministry of Economic Development. A sum of Rs.71,675,750 had been brought to account as the expenditure up to 31 December 2014 for the maintenance of 100,000 chicks by the beneficiaries so selected at the rate of 200 chicks per beneficiary. Nevertheless, 10 cheques totalling Rs.34,500,000 for 46,000 chicks, 05 cheques totalling Rs.13,627,500 for 6,900 packets of chick feed at 25 kg per packet drawn and brought to account as expenditure had been retained in hand even by 28 January 2015. As such chicks and chicks feed valued at Rs.48,127,500 brought to account as the expenditure of the year under review had not been supplied to the project by the respective suppliers.  
Even though the quantity of chick feed that should have been supplied to the 12,377 chicks distributed for 45 days amounted to 40,312 kilogrammes, an over payment of Rs.488,852 had been made for the supply of an additional 6,188 kilogrammes.
- (c) The Procurement Committee of the Divisional Secretariat, Ambalantota had approved the purchase of 6,560 sheets of tin of gauge 34 for Rs.3,493,935 comprising Rs.2,598,750 from the "Palath Neguma" National Programme and Rs.895,185 from the Livelihood Development Project from the provisions of the Ministry of Economic Development for the upliftment of the persons engaged in brick making industry. Even though the Procurement Committee of the Divisional Secretariat, Ambalantota can approve purchases only up to a maximum of Rs.1 million, this purchase had been approved by exceeding that limit.

- (d) Even though the Divisional Secretariat Ambalantota had purchased two round swings for two children's parks for Rs.124,000 from the provision of the Ministry of Economic Development, the approval of the Procurement Committee had not been obtained for the purchase. A sum of Rs.102,200 over and above the estimate prepared for the purchase of 05 slips and 04 merry-go-rounds for the above two children's parks had been paid to the suppliers .
- (e) Two Divisional Secretariat had purchased materials and equipment valued at Rs.5,063,466 from the provisions made available by the Ministry of Economic Development for the year 2014. Those materials and equipment had been kept in storage at the Divisional Secretariats even up to the end of the year under review without being distributed to the beneficiaries.
- (f) A set of physical development equipment purchased by the Beliatta Divisional Secretariat for Rs.94,400 from the Decentralised Budget Programme for the year 2013 had been supplied to a Sports Club not registered within the area of authority of the Beliatta Divisional Secretariat. It was observed at the audit carried out on 15 September 2014 that set of physical development equipment was in the custody of an external individual.
- (g) The contract for the renovation of "Karuna" building of the Badagiriya Vidyalya had been handed over under the programme for improvement of facilities of Rural School in the year 2014 by the Divisional Secretariat, Hambantota to a private construction company on an agreement for a sum of Rs.2,423,774 and a sum of Rs.2,181,397 had been paid to the contractor by 20 February 2015. The work under Item 2.20 of the estimate laying concrete to a thickness of 3 inches of the floor and prisms and plastering and cementing of the prism and the curb for ½ inch had not been done as specified. As such the floor and the pavement had cracked and broken off. The above payment made included a sum of Rs.685,883 paid for this work.
- (h) The Disaster Management Unit of the District Secretariat had implemented the project for repairing the conduit carrying water to the Badagiriya Pansalwatta Paddy land tract which had been destroyed by the heavy rain in December 2012. The work had been awarded to a private institution as an urgent procurement without preparing estimates and entering into an agreement. The contractor had completed the project in November 2013. Accordingly, the contractor had been paid a sum of Rs.525,000 on 23 May 2014 from the provisions of the Ministry of Disaster Management. It was observed at the physical audit inspection that the contractor had been overpaid a sum of Rs.269,280 exceeding the value of work done.
- (i) The Ministry of Disaster Management had provided a sum of Rs.500,000 under the project for in construction of houses which could withstand disaster concurrently with the National Safety Day 2014 of the Divisional Secretariat Hambantota. The first instalment of Rs.250,000 out of that had been paid to a person living in Yahangala

West on 10 October 2014 for the construction of a house. The second instalment of Rs.250,000 had been paid on 31 December 2014 solely on the recommendation of the Housing Committee without a recommendation from a Technical Officer. But the beneficiary had not completed the house even by 20 February 2015, the date of the audit and the value of the work done up to that date, according to the report of the Technical Officer of the Divisional Secretariat amounted to Rs.256,641 only.

- (j) Six cheques for both instalments valued at Rs.300,000 drawn by the Divisional Secretariat Ambalantota from the provisions of the Ministry of Disaster Management, payable to 03 beneficiaries as subsidy for houses damaged due to disasters, had been credited to State Revenue in February 2015.
- (k) The Divisional Secretariat Hambantota had received a sum of Rs.100,000 on 10 July 2012 from the Ministry of Buddha Sasana and Religious Affairs for Daham Pasal Religious activities. That money had been kept in the Deposit Account even up to 20 February 2015, the date of audit, without implementing the programme.

### **3.5 General Deposit Account**

-----  
The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on deposits totalling Rs.967,969 older than 2 years.
- (b) A sum of Rs.57,340,512 made available by other Ministries and Departments for various purposes had been retained in the Deposit Account without executing the relevant works.
- (c) According to the letter No.PF/FD/04/148 dated 31 October 2014, of the Director General of State Accounts a sum of Rs.300 million had been credited to the General Deposit Account No.6000/0000/000/0011/0598/000 after accounting for as an expenditure for the establishment of a Revolving Account for the production of grains. That remained as an idle deposit even up to 20 April 2015, the date of audit without taking action in terms of provisions of that letter.

### **3.6 Reconciliation Statement of the Advances to Public Officers Account**

-----  
According to the Reconciliation Statement as 31 December 2014 of the Advances to Public Officers Account of Item No.26301 presented to audit, the balances that remained outstanding as at that date totalled Rs.5,179,947 and those outstanding balances remained over period ranging from 01 year to 10 years.

### 3.7 Assets Management

#### 3.7.1 Idle and Underutilised Assets

It was observed during the course of audit test checks that certain assets as analysed below had been either idle or underutilised.

Category of Assets	Number of Units	Idle or Underutilised Period-Years
(i) Buildings	01	03
(ii) Motor Vehicles (Three-wheeler)	01	08
(iii) Machinery	01	13

#### 3.7.2 Losses and Damage

The observations on losses and damage revealed during the course of audit test checks are given below.

- Even though it was stated in the Appropriation Accounts of several years that action would be taken to write off from books the 12 losses amounting to Rs.13,752,451 of the District Secretariat and 05 Divisional Secretariats caused from the year 1987 to the year 2005, action for the write off of those losses from the books had not been taken even up to 31 December 2014.
- A Board of Inquiry had been appointed in terms of the Financial Regulation 104 (4) to take action on the losses shown in the Appropriation Account for the preceding year. Nevertheless, the inquiry reports in respect of 04 losses amounting to Rs.1,631,903 had not been received even by 31 December 2014.

### 3.8 Non – compliances

#### Non – compliance with Laws, Rules and Regulations

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

References to Laws, Rules and Regulations.	Value	Non – compliance
	Rs.	
<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
(a) Financial Regulations 137,	3,092,987	The District Secretariat had written 31

138, 139, and 237

cheques as at 31 October 2014 for uncompleted transactions and retained the cheques in hand even up to 28 January 2015

3,275,274

The Divisional Secretariat Hambantota had written 31 cheques for uncompleted transactions and for goods not received by the stores by 31 December 2014 and retained the cheques in hand without being handed over to the drawee even up to 20 February 2015, the date of audit.

595,825

Divisional Secretary, Ambalantota had written 04 cheques for uncompleted transactions and for goods not received by the stores as at 31 December 2014 and retained the cheques in hand without being handed over to the drawees even up to 09 March 2015, the date of audit.

3,909,605

Eleven cheques written by 08 Divisional Secretariats on 31 December 2014 in favour of Driver Training Schools for providing driving training, had been retained in hand without being handed over to the drawees even up to 31 May 2015, the date of audit.

(b) Financial Regulation 215 (3) 651,240  
(a)

One hundred and fifty nine cheques written by 05 Divisional Secretariats as at 31 December 2014 had been cancelled and transferred to the General Deposit Account in the year 2015.

### 3.9 Implementation of Projects under Domestic Financing.

---

Instances of projects abandoned without commencing observed during the course of audit test checks are given below.



**(a) Projects Abandoned without Commencing**  
-----

<b>Project</b> -----	<b>Estimated Cost</b> -----	<b>Due Date for Commencing</b> -----	<b>Reasons for not Commencing in Brief</b> -----
	<b>Rs.</b>		
Prepare road from new bridge to old bridge and concreting	995,655	2014.08.28	The Society which entered into the agreement had not started work up to the end of the year.
Construction of the anicut near the Thuppahi, Walasmulla Paddy Lands	289,729	2014.07.30	This is a business project. As water for cultivation is supplied for the next cultivation without delay after the harvest it is not possible to implement the project.
Constructing of a 60 x 20 building for the H.R.M. Thassim School in Ranasinghepura	194,000	-	The member concerned had not revised the proposal.
Providing Drinking Water to Second Lane of Ranawarawa Indikola Road.	150,000	-	Unable to get down the estimates

**3.10 Irregular Transactions**  
-----

Certain transactions entered into by the District Secretariat had been devoid of regularity. Several such instances observed are given below.

**(a) Deviation from Government Procurement Procedure**  
-----

The following observations are made.

- (i) The third member of the Procurement Committee had not signed two procurement decisions for the year 2014 amounting to Rs.1,500,000 of the Okewela Divisional Secretariat.
- (ii) The Divisional Secretariat, Walasmulla had not entered into agreements in term of the Guidelines No. 8.9.1,8.9.2 and 8.9.3 of the Government Procurement Guidelines in connection with 08 projects valued at Rs.6,598,824 commenced by the Secretariat by 10 November 2014.

**(b) Transactions without Authority**  
-----

The following observations are made.

- (i) Even though the District Procurement Committee can, in term of the Guideline 3.4 of the Government Procurement Guidelines and the Guideline 2.14.1 of the Procurement Manual, approve procurements up to Rs.2 million under the shopping procedures, the Divisional Secretariat, Weeraketiya had exceeded that limit and purchased office equipment valued at Rs.4,250,241.
- (ii) A Training Programme for the improvement of land work and the efficiency had been held on 27 and 28 December 2014 for the officers of the Divisional Secretariat, Hambantota. The cheque for Rs.151,800 drawn in favour of a private hotel for the supply of food to 230 officers who had participated in the programme had been retained in hand even by 31 December 2014. The relevant programme had not been held even by 09 February 2015, the date of audit.

**3.11 Uneconomic Transactions**  
-----

The reconstruction of the bund of the Thammannawa wewa and the bund of the Aluthwewa under the Perakum Farmer Organisation had been carried out by the District Secretariat Hambantota from 04 to 10 November 2013. The work had been awarded to a Farmers Organisation without preparing a cost estimate and entering into an agreement. A sum of Rs.525,000 had been paid to the contractor on 12 November 2013 without obtaining a technical report. According to the letter of the District Secretary dated 03 October 2013, to the Director of the Disaster Management Centre, provision amount to Rs.525,000 for 150 excavator meters at Rs.3,500 per meter had been obtained for the reconstruction of the bunds . Contrary to that letter, a sum of Rs.232,500 had been paid to the contractor for 05, vibrator hours and deployment of 45 tractors. Nevertheless, it was observed during the course of the physical audit inspection carried out on 10 October 2014 that bunds had not been repaired according to the specified standards and the earth on the bunds had broken off in two places.

**3.12 Management Weaknesses**  
-----

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

- (a) Out of the 05 acres including the playground of the Hambantota Gonnoruwa Junior School an extent of 03 acres had been surveyed and handed over to the school under Survey Order No.2010/63. The Divisional Secretariat Hambantota had not taken action to survey and handover the 02 acres to the school. However, it was observed that the 02 acres which had not been handed over to the school had been encroached by an individual

- (b) The Grama Niladhari had reported to the Divisional Secretariat Walasmulla by letter dated 09 August 2012 that a person had started constructing a house on a portion of land scheduled for acquisition for the purpose of the Junior School, Omara. Even though the Divisional Secretary had, by his letter dated 14 August 2012, informed the person that he should stop construction work and vacate the premises, it was observed at the audit carried out on 10 November 2014 that the person concerned was in occupation of a permanent building constructed on that land.
- (c) Two hundred and five cheques valued at Rs.1,960,388 written by 07 Divisional Secretariats as at 31 December 2014 had been cancelled and credited to Revenue in the year 2015.

### 3.13 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	46	38	08	-
(ii) Tertiary Level	31	15	16	-
(iii) Secondary Level	1,081	966	116	64
(iv) Primary Level	122	114	14	06
(v) Others (Casual/ Temporary/ Contract Basis )	01	62	-	61
<b>Total</b>	<b>1,218</b>	<b>1,195</b>	<b>154</b>	<b>131</b>

The following observations are made.

- (1) The District Secretariat had not taken action to fill 154 vacancies by the end of the year under review.
- (2) The District Secretariat had not taken action to obtain the formal approval for the excess cadre recruited.