

## **Report of the Auditor General on Head 105-Ministry of Economic Development and the Departments under the Ministry –Year 2014**

Paragraphs 1 and 2 of this report contain the general information on the Accounts of the Ministry and the Departments under the Ministry and the Audit Observations on each Head appear in paragraph 3 onwards.

### **1. Departments under the Ministry**

<b>Head</b>	<b>Department</b>
218	Department of Commissioner General of Samurdhi
281	Department of Agrarian Development
305	Department of Upcountry Peasantry Rehabilitation

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

The audit of the Appropriation Account including the financial records, books, registers and other records of the Ministry of Economic Development and the 03 Departments 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 Reports for the year under review was issued to the Chief Accounting Officer and the Accounting Officers of the Ministry and Departments on undermentioned dates. 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.

<b>Head</b>	<b>Ministry/ Department</b>	<b>Date of issue of Management Audit Report</b>
105	Ministry of Economic Development	2015.09.25
218	Department of Commissioner General of Samurdhi	2015.07.27
281	Department of Agrarian Development	2015.08.14
305	Department of Up-country Peasantry Rehabilitation	2015.07.21

## 1.2 Responsibility of the Chief Accounting Officer and the Accounting Officers for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officers 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.

## 2. Accounts

### 2.1 Appropriation Accounts

#### (a) Total Provision and Expenditure

The total net provision made for the Ministry and the 03 Departments under the Ministry amounted to Rs. 107,885.80 million and out of that a sum of Rs.107,667.06 million had been utilized by the end of the year under review. Accordingly, the net savings of the Ministry and each Department ranged between Rs.1.44 million and Rs.173.99 million of the total net provision. Details appear below.

Head	As at 31 December 2014			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Million	Rs. Million	Rs. Million	
105	85,879.51	85,705.52	173.99	0.20
218	15,509.93	15,503.51	6.42	0.04
281	6,474.74	6,437.84	36.90	0.57
305	21.62	20.18	1.44	6.66
	<b>107,895.80</b>	<b>107,667.05</b>	<b>218.75</b>	<b>0.2</b>

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

Provisions totalling Rs.489.65 million had been available by the Department of Agrarian Services for various activities and out of that provision a

sum of Rs.290.15million had been utilized. Accordingly, a sum of Rs.199.50 million or 40.74 per cent had been saved up to end of the year under review.

## 2.2 Advance Accounts

### 2.2.1 Advances to Public Officers Account

#### Limits Authorized by Parliament

The limits authorised by parliament for the Advances to Public Officers Accounts of the Ministry and the 03 Departments under the Ministry and actual amounts are given below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
10501	170.00	169.17	90.00	109.57	600.00	369.54
21801	12.00	9.81	8.50	10.80	90.00	46.94
28101	210.00	190.04	140.00	140.86	800.00	388.62
30501	2.00	1.14	0.80	2.06	8.00	2.83

## 2.3 Imprest Account

Imprest balances of the Ministry and the Department of Agrarian Development as at 31 December 2014 amounted Rs.515.462 million and Rs.0.25 million respectively.

## 2.4 General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and 03 Departments under the Ministry as at 31 December 2014 totalled Rs.4,248.166 million. The details are given below.

Ministry/ Department	Deposit Account No.	Balance as at 31 December 2014
		Rs. Million
Ministry of Economic Development	6000/0000/00/0015/0019/000	379.35
Department of Commissioner	6000/0000/00/0015/0099/000	3,454.49

General of Samurdhi		
Department of Agrarian Development	6000/0000/00/0015/0136/000	261.82
	6000/0000/00/0006/0051/000	151.69
	6000/0000/00/0002/0010/000	0.23
	6000/0000/00/0001/0024/000	0.01
	6000/0000/00/0013/0136/000	0.39
Department of Up-country Peasantry Rehabilitation	6000/0000/00/0015/0160/000	0.18
<b>Total</b>		<b>4,248.17</b>

## 2.5 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 Reports referred to in paragraph 1.1, the Appropriation Account and the Reconciliation Statements of the Ministry and the Departments have been prepared satisfactorily. The Material and important observations out of the observations included in those management reports appear in paragraphs 3 to 6 therein.

## 3. Head 105 – Ministry of Economic Development

### 3.1 Non- maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Registers	Relevant Regulation	Observations
(i) Register of cheques and money orders	Financial Regulation 451	Not maintained
(ii) Register of official telephone calls	Financial Regulation 845 (1)	Not maintained
(iii) Security register containing the particulars of officers and employees required to deposit security	Financial Regulation 891 (1)	Not maintained
(iv) Register of Electrical Appliances	Financial Regulation 454(2)	Not maintained
(v) Inventory of fuel and lubricant	Financial Regulation 1647 (d)	Not maintained
(vi) Attendance Register of Procurement and Technical Evaluation Committees	Guideline No.2.11.2 of the Government Procurement Guideline	Not maintained
(vii) Procurement committee meeting reports	Guideline No.2.11.3(a) of the Government Procurement	Not updated

## Guideline

(viii) Register of calling bids

Guideline No.5.2.1 of the Government Procurement Guideline Not maintained

### 3.2 Lack of Evidence for Audit

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The following observations are made.

- (a) The Divinaguma Development Department was established with effect from 03 January 2014 under the Gazette Notification No.1843/4 dated 03 January 2014 by amalgamating the Samurdhi Authority, the Southern Development Authority and the Up-country Development Authority. However, any financial statement had not been furnished to audit subsequent to the submission of financial statements by the above Authorities for the year 2013. According to the Treasury Computer Printouts for the year 2014, the expenditure of each of the Institute amounted to Rs.9,502 million, Rs.134.03 million and Rs.45.53 million respectively.
- (b) Following observations are made in respect of acquisition of assets of the amalgamated three Authorities at the establishment of the Divinaguma Development Department.
  - (i) At the time of establishing of Divinaguma Development Department, the assets held by the Samurdhi Authority, Southern Development Authority and Up-country Development Authority as at 31 December 2013 had been Rs.24,232.37 million, Rs.283.83 million and Rs.65.89 million respectively and comprises totalling Rs.24,582.09 million. The particulars relating to acquisition of assets by the New Department as at 01 January 2014 had not been furnished to audit. Hence, taking over of assets by the responsible parties and entering in to registers could not be confirmed in audit.
  - (ii) A register of fixed assets in terms of the Treasury Circular No.842 dated 19 December 1978 and a asset register in terms of the Treasury Circular No.IAI/2002/2 dated 28 November 2002 for computers, accessories and software had not been maintained , in respect of the assets belong to the above Institutions.
  - (iii) According to the information of the Coconut Development Board, 235,057 coconut plants valued at Rs.23.5 million had been given to 14 Divisional Secretariats in connection with the Coconut Plant Distribution Programme in the Kurunegala District, conducted under the Divinaguma National Programme Phase VI. According to the progress reports of those offices only 141,671 coconut plants valued at Rs.14.17 million had been distributed among the beneficiaries. Accordingly, particulars relating to the distribution of

93,386 coconut plants valued at Rs.9.33 million had not been furnished to audit.

- (c) A copy of the Supreme Court Order dated 12 September 2014 which had given orders at the time of Uva Provincial Council Election on 20 September 2014 to give relief for the people who suffered from the drought in Monaragala District had not been furnished to audit.
- (d) A sum of Rs.2.45 million had been incurred to purchase of 102,083, 80 pages exercise books to distribute among the Dham Schools children, under the decentralized provisions of a Matara District's Member of the Parliament. Particulars relating to distribution of books had not been received by audit until the date of audit on 30 April 2015.
- (e) Even though 10 Almirahs and 487 plastic chairs valued at Rs.499,428 had been purchased to distribute among the Dhaham Schools in the Colombo Divisional Secretariat's Division, confirmations relating to distribution of goods properly among the Dhaham schools or taking over of those goods had not been furnished to audit.
- (f) One hundred and seven sewing machines had been purchased at a rate of Rs.20,550 each to distribute them among low income and self-employees in Colombo Divisional Secretariat Division. The information relating to decisions made for the procurements, details of beneficiaries who received the machines and details of taking over of machines by the beneficiaries had not been furnished to audit.

### **3.3 Replies to Audit Quarries**

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Replies to 13 audit quarries furnished to the Ministry during the year under review had not been received up to 31 August 2015 and quantifiable value of those audit quarries amounted to Rs.2,735.41 million.

### **3.4 Appropriation Account**

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#### **3.4.1 Budgetary Variance**

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The following observations are made.

- (a) The entire net provision amounting to Rs.68,000,000 made under 03 Objects had been saved.
- (b) Contrary to Section 5(2) of the Appropriation Act, No.36 of 2013, savings from the capital provisions amounting to Rs.29,374,065, that made under Programme 01 had been transferred to capital expenditure provisions of Programme 2.

- (c) Contrary to Financial Regulation 65(4) (v) (a) and (b), savings from the foreign financing programmes amounting to Rs.2,620.47 million had been transferred to provisions financing the Gamanagama Programme which had been conducted under the domestic financing programmes.
- (d) The Capital assets valued at Rs.9,415 million acquired by the Department of Divinagama Development had been accounted under the recurrent expenditure.

### 3.4.2 Provisions given to other Ministries and District Secretariats

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The following observations are made in this connection.

- (a) According to the information made available, an aggregated amount of Rs.23,507.61 million had been given to 09 District / Divisional Secretariats and 02 Ministries and out of that a sum of Rs.15,886.93 million had been utilized, out of those provisions. Accordingly, a sum of Rs.7,620.68 million or 32.4 per cent of the provisions had not been utilized up to end of the year under review.
- (b) Seven thousand two hundred and nine cheques valued at Rs.150.15 million had been written by 06 Divisional Secretariats out of the Provisions given by the Ministry of Economic Development as at 31 December 2014 for development project. However, those cheques had not been issued to relevant parties.
- (c) Fifteen cheques aggregated Rs.3.59 million had been issued to several institutions to purchase of goods and equipment relating to 10 Divisional Secretariats in Kurunagala District and those cheques had not been realized even up to 31 March 2015.
- (d) Even though 35 cheques valued at Rs.62,409 had been written by the Mahawa Divisional Secretariat in Kurunegala District to purchase of goods and equipment, those cheques had been kept in hand without being issued up to 31 March 2015 due to non-receipt of goods.
- (e) Eight written cheques valued at Rs.1,479,949 had been kept in hand by 3 Divisional Secretariats in the Kandy District up to 9 February 2015, contrary to Financial Regulation 237 (6).
- (f) Forty three thousand five hundred and seventy nine chicks had been purchased on 31 December 2014 by the Tissamaharama Divisional Secretariat for commencement of commercial poultry farms. Although the standard quantity of poultry food feed required for those chicks was 141,937 Kgs, an excessive quantity of 21,484 Kgs of poultry food had

been purchased. As a result, an aggregate amount of Rs.1,697,236 had been over paid by 16 October 2015.

- (g) Thirty six cheques amounting to Rs.7.97 million which had been written by the Maharagama Divisional Secretariats on 31 December 2014 for the development projects had been kept in hand without being given to the respective parties even by 31 March 2015.
- (h) Six hundred and forty seven cheques amounting to Rs.7.15 million which had been written by 13 Divisional Secretariats in the Badulla District, on 31 December 2014, on behalf of beneficiaries for the implementation of livelihood development programmes had been kept in hand even by 06 July 2015.
- (i) Six thousand four hundred and ninety nine cheques amounting to Rs.129,904,974 which had been written by the 16 Divisional Secretariats in Anuradhapura District, in the names of 6499 beneficiaries for implementation of livelihood development programmes had been kept in the custody of the Divisional Secretaries even by 22 October 2015, without being given to the beneficiaries due to the reasons such as not properly identification of beneficiaries, non- purchasing of expected goods, lack of contribution made by the beneficiaries etc.

### **3.5 Imprest Accounts**

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The following observations are made.

- (a) Imprest amounting to Rs.1,309.05 million had been granted by the Department of Treasury Operation during December 2014. However, due to obtaining of imprest exceeding the requirement of the Ministry, a balance of Rs.515,462,199 had been remained in the imprest account as at 31 December 2014.
- (b) Sums of Rs.14,622,086 and Rs.24,334,805 had been incurred in the year 2014, by the Debt Management Division of the Department of Treasury Operations for the Rural Bridges Project and for the Project of Emergency Developments of Areas Damage Affected due to Conflicts. These expenses had not been accounted in the year 2014, as there was no savings in the Ministry Expenditure Heads for the year 2014. However, the explanation given for the variation between the net provision and the actual expenditure of the capital Provisions, under the Format No.D.G.S.A. 6(1) of the Appropriation Account, had been stated that reason for the savings of Rs.4,698,885 was the provisions made under the Rural Bridges Project. Out of the provisions made for the Rural Bridges Project amounting to Rs.119, 943,000 and for the Project of Emergency Developments in the Areas of Damages Affected due to



Conflicts amounting to Rs.380,046,000 had been transferred to other Objects following the Viraman Procedure.

- (c) In terms of the Financial Regulation 371, the ab-hoc sub imprest obtained should be settled immediately after the completion of the relevant purpose, whereas sub imprests obtained at 69 instances by the Department of Divinaguma Development amounting to Rs.5,419,262 had been settled after delay of ranging periods from 07 days to 52 days.
- (d) Contrary to Financial Regulation 371, sub imprest amounting to Rs.10,421,402 had been paid by the Department of Divinaguma Development to 08 officers in 11 instances exceeding the ad-hoc advance limit of Rs.20,000.

### **3.6 General Deposit Account**

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The following observations are made.

- (a) Action had not been taken in accordance with the Financial Regulation 571 relating to 51 deposits amounting to Rs.16,409,817 older than 2 years.
- (b) The deposit balances of the Department of Divinaguma Development amounting to Rs.180,592,977 as at 31 December 2014 had not been reported to the Ministry. Hence, those deposit balances had not been disclosed in the accounts.
- (c) Fourteen cheques which had not been presented for the payment valued at Rs.302,880 had been retained in the General Deposit Account. Action had not been taken in this connection in accordance with the Financial Regulation 396(d).

### **3.7 Reconciliation Statement of the Advances to Public Officer's Account**

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The following observation are made at the audit test check carried out on reconciliation statement relating to the item No. 10501 as at 31 December 2014.

- (a) According to the reconciliation statement presented for audit, the outstanding balances as at that date totalled Rs. 4,730,988 and remained as outstanding for over 1 to 15 years. However, the Ministry had failed to recover those outstanding loan balances.
- (b) The loans amounting to Rs. 4,518,140 had been paid by the Ministry without following the applicable procedures at the payment of loan.
- (c) According to the reconciliation statement, the balances recoverable from the officers transferred out from the Ministry as at 31 December 2014 amounted

to Rs. 1,540,706 and out of that balance, a sum of Rs. 915,551 remained outstanding since a period about 15 years.

- (d) Erroneous debit of Rs. 21,000 and erroneous credit of Rs. 323,683 made by the Ministry as at 31 December 2014 had been shown in the reconciliation statement and those amounts had not been rectified. Of these erroneous credits, a sum of Rs.135,449 or 42 per cent was remained prior to the year 2014.
- (e) In terms of financial regulation 109, the approval had been sought from the Director General of Finance to write-off debtor balances totalled Rs.1,198,829 belonging to 37 officers and balances over Rs.10,000, out of the debtor balances acquired in accordance with the change made to the Cabinet of Ministers in the year 2007. However, the Director General of Finance had informed that on the ground of failure to find out the details of the loans, it could not be justify the written-off of those loans and cannot be given the approval for Witten-off based on such a recommendation.
- (f) The distress and property loan balances of Rs.1,076,581 which were receivable from two officers who had gone abroad obtaining foreign leave, but not reported to the service had been shown in the reconciliation statement. The following observations are made in this connection.
  - (i) In terms of Section 11.9 of Chapter XXIV of the Establishment Code, the officer who approved of the loan had failed to transfer the deed of the property that acquired using the loan, by the name of the Government. The Power of Attorney had not been registered even by 31 December 2014. Further, it had been failed to recover the distress loan balance of Rs.64,274 and interest on that loan amounting to Rs.35,769 even by 31 December 2014.
  - (ii) In addition to the above loan amount, due to vacated of the post by the above officer after gone abroad, an aggregates amount of Rs.2,432,838 comprising of gross salaries paid from September 2001 to August 2002, penalties payable for failure to perform compulsory service period and government expenses on foreign training also to be recovered.
- (iii) Property loan file of the other officer had been got misplaced and as a result, the property loan balance amounting to Rs.345,794 could not be recovered. Even though the Director General of Establishment had advised to take disciplinary actions against the officer who approved the loan. But, without taking actions within that period and without recovering the loan, the officer had been blacklisted. Further, the distress loan balance amounting to Rs.124,233 and interest thereon had been become irrecoverable even up to 31 December 2014.

### **3.8 Good Governance and Accountability**

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#### **3.8.1 Annual Action Plan**

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In terms of the public Finance Circular No.01/2014 dated 17 February 2014, an Annual Action Plan should be prepared by the Ministry. However, an Action Plan for the year under review had not been prepared even by 31 December 2014.

#### **3.8.2 Annual Procurement Plan**

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The Annual Procurement Plan for the year under review that should be prepared in terms of the National Budget Circular No.128 dated 24 March 2006 had not been prepared even by 31 December 2014.

### **3.9 Assets Management**

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The following deficiencies were observed during the course of audit test checks of the assets of the Ministry.

#### **(a) Idle and Underutilized Assets**

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

- (i) Forty thousand and fifty six galvanized pipes valued at Rs.44,347,822 had been distributed among 77 Local Authorities by the Ministry of Provincial Councils and Local Authorities using the provisions given by the Ministry. According to the written evidence provided by those Local Authorities, such a request had not been made by them and the pipes had been kept in idle at the premises of those Local Authorities.
- (ii) One thousand one hundred and fifty one equipment valued at Rs. 27,930,032 purchased under the Livelihood Development Programme of the Kurunegala District and should have been distributed had been stored at 14 Divisional Secretariat's Offices without being distributed.
- (iii) A sum of Rs. 1,680,000 had been paid on 16 December 2014 to a firm that selling of festive goods for the supply of a Parabolic Mobil Festival Hall and a Mobil Stage to a Sport Club at Isadeen Town in Matara. On the spot audit check conducted on 19 October 2015, it was observed that relevant goods were not received by the Sport Club.
- (iv) In order to distribute for various programmes, 113,278 units of materials and equipment valued at Rs.37,712,454 had been purchased utilizing the provision of the Ministry in the years

2012, 2013 and 2014 by 9 Divisional Secretariats related to the Planning Secretariat Office of the Monaragala District. Those materials and equipment had been kept in the stores of the offices of the Divisional Secretariat by the end of the year under review, without being distributed to beneficiaries.

- (v) The goods valued at Rs.24,641,041 had been purchased by the Maharagama Divisional Secretariat in the year 2014 under the various programmes had been kept in the stores even by 1 December 2014, without being distributed to the respective persons or Institutions.
- (vi) Four items vaulted at Rs.938,478 which had been purchased by the Nuwara-Eliya Divisional Secretariat under the decentralized budget and special Project of Members of the public had not been distributed among the beneficiaries even by 30 October 2015.

**(b) Conduct of Annual Board of Survey**  
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According to the Public Finance Circular No.02/2014 of 17 October 2014, the Board of Survey for the year 2014 should be conducted and the reports thereon should be furnished to the Auditor General before 17 March 2015. Nevertheless, the Ministry had not furnished those reports even by 31 May 2015. The last Board of Survey had been conducted for the year 2013.

**(c) Irregular Use of Assets not Vested**  
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The following observations are made in connection with the constructions/repairs done by the Ministry on assets not formerly vested.

- (i) The Divisional Secretariat of Mulatiyana in Matara District had constructed 4 multi – purpose buildings incurring a sum of Rs.6,232,089 in private lands. Those lands had not been acquired by the Government.
- (ii) Even though development works of the Weekly Fair of Kaloghaela in the Divisional Secretariat's Division of Dabulla had been completed by 21 October 2014 under the provision of Rs.1,000,000, the land had not been acquired by the Pradeshiya Sabhawa and the Fair had not been utilized.
- (iii) Even though a sum of Rs.1,550,000 had been incurred for the construction of Wengolla Sport Ground in the Dabulla Divisional Secretariat's Division, the land had not been acquired by the Council and the ground had not been used.

- (iv) Without being legally acquired the land, a Community Centre had been constructed incurring a sum of Rs.929,839 in the Panvila Divisional Secretariat's Division under the Maganagama Development programme of 2014.
- (v) The Madukele Sport Ground in the Panvila Divisional Secretariat's Division in Kandy District had constructed at an estimated cost of Rs.2,000,000 in a land, extend of 1 ½ acres, belonging to the Sri Lanka Plantation Corporation come under the Ministry of State Resources and Enterprise Development. Nevertheless, action had not been taken to acquire the land.

**(d) Unsettled Liabilities**

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 The unsettled liabilities of the Ministry existing since a period less than one year amounted to Rs.7,623,729,432 as at 31 December 2014 and the particulars thereon are given below.

<b>Details</b> -----	<b>Liability</b> ----- <b>Rs.</b>
Disclosed liabilities as per Appropriation Account	6,283,207,693
Undisclosed liabilities in the Appropriation Account- Ministry	2,209,393
Undisclosed liabilities in the Appropriation Account -World Food Programme	289,115
Department of Divinagama Development	1,338,023,231
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<b>Total</b>	<b>7,623,729,432</b> =====

**3.10 Non – compliances**

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**Non-compliance with Laws, Rules and Regulations**  
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Instances of non-compliances with the provisions in the laws, rules and regulations observed during the course of audit test checks are analyzed below.

<b>Reference to Laws, Rules, Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
	----- Rs.	-----
<b>(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka</b>		
----- Sections 4.1, 4.4.3, 4.5 and 4.6 of Chapter XIV	34,500	Instead of being paid the applicable incidental allowances, a sum of Rs.1,500 had been paid per day for 10 officers who had engaged in distribution of subsidies in the Monaragala District (evidence relating to payment for another 07 officers had not been furnished to audit) based on the order given by the Secretary to the Ministry.
<b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
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(i) Financial Regulation 104 (4)	7,729,023	The full report relating to the accident caused to a jeep used by a Deputy Minister of Economic Development had not been submitted even by 31 December 2014.
(ii) Financial Regulation 137	48,365,000	The Divinaguma Development Department had not followed stipulated procedure relating to the procurements made amounting to Rs.48.57 million in 5 instances.
(iii) Financial Regulation 138(4)	1,078,385	A sum of Rs.1,078,385 had been incurred to insure 23 motor vehicles which were not included in the Motor Vehicle Register of the Ministry.
(iv) Financial Regulation 632 and 633	54,120,000	All printing works of a Department should be entrusted to the Government Printer or to private printing establishment with the authority of the Secretary to the Ministry concerned after referring the Government Printer. However, the

Department of Divinaguma Development had not followed this regulation in 6 instances.

(v) Financial Regulation 715(2) 894,600  
(3)

The relevant procedure had not been followed for the printing of 150 books which had been printed for reporting the progress of the Dayata Kirula 2014.

**(c) Circulars of the Presidential Secretariat**

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|---|--------|--|
| <p>(i) Circular No.CS/A/2//4 dated 21 February 2006 - Paragraph 4.2</p>                                   | -      | <p>A Deputy Minister had participated to the Aquatic Bio Conference held in Australia from 07 to 11 June 2014. However, the reports thereon had not been submitted even by 31 December 2014.</p> |
| <p>(ii) Paragraph 5.1</p>   | -      | <p>A Deputy Minister who had participated to a conference held in Australia had not submitted a report for the expenditure incurred from the allowances obtained for the tour.</p>               |
| <p>(iii) Paragraph 3.1 of the letter of the Secretary to the President No.CA/1/17/1 dated 14 May 2010</p> | -      | <p>(i) Contrary to the circular instructions, 04 motor vehicles had been used by a Deputy Minister.</p>  |
|   | 93,000 | <p>(ii) Even though a diesel motor vehicle had been given to a Deputy Minister, the fuel allowances had been calculated and paid based on the rates fixed for petrol motor vehicles.</p>         |

**(d) Management Services Circulars**

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| <p>(i) Circular No.33 dated 05 April 2007 - Paragraph 5.1(6)</p> | 54,484 | <p>Without being paid the incidental allowances to the officers in the Management Unit of the National Agri Businesses Development Programme for their field inspections, the expenditure for food and logins had been incurred from the Project Fund in 09 instances.</p> |
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(ii)	Paragraph ii	240,164	Even though it had been paid the attendance allowances to the national steering committee members of the National Agri Business Programme, a sum of Rs.240,164 had also been incurred for providing of food and beverages to those members.
(iii)	Paragraph 3.1 (C)	3,132,075	At the audit test check conducted relating only to for 3 projects , it was observed that the special allowance eligible to obtain in one instance had been obtained in two times and as such a sum of Rs.3,132,075 had been paid from the year 2011 to 2014.
(e)	Circular of the Electron Commissioner No.PRE/2015/43 dated 22 November 2014 and Circular of the same name number and dated 02 December 2014.	3,086,000,000	Distribution of goods, providing of subsidiaries and donations and conducting of similar programmes that caused to promote a candidate of the Presidential Election had been conducted in 8 instances.
(f)	The Letter of Secretary to the Ministry No.MDD/RD/DEV/2014 dated 07 November 2014	-	Allowances had been paid to upper income level families, families have permanent employees and unmarried persons by the Vaunia District Secretariat under the livelihood Development Programme.

### 3.11 Foreign Aid Projects

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The Ministry had implemented 21 Projects under foreign financed during the year under review. According to the annual estimates, transfers under Financial Regulation No. 66 and agreements of the Loans and Projects, the net provision for the year totalled Rs.15,837,780,228 and a sum of Rs.15,710,300,321 had been utilized on such Projects during the year under review. The following observations are made in this connection.

#### (a) Foreign Aid Projects not Subjected to Audit

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According to the loan agreement, Community Development and Livelihood Development Projects( Second) had been audited by a private audit firm, without subjected to the audit of the Auditor General.



## **(b) Presentation of Financial Statements for Audit**

Even though financial statements of the project of Emergency Development of Areas Damages Affected due to Complicit should be furnished to audit by 31 March 2015, that financial statements had not been furnished to audit even by 31 August 2015.

### **3.12 Implementation of Projects under Domestic Financing**

Instances of Projects abandoned without commencing, Projects abandoned without completed and the Projects delays revealed during the course of audit test checks are given below.

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

The Ministry had not commenced the following Projects.

<b>Project</b>	<b>Estimated Cost</b>	<b>Due date of Commencement</b>	<b>Reasons for not Commencing in Brief</b>
	<b>Rs.</b>		
Nine Projects approved to commence in the Puttalam Divisional Secretariat's Division.	3,000,000	Year 2014	The heavy rain had caused floods in the proposed projects' areas and difficulties cause to find materials.
Five projects proposed to implement in the Uhana Divisional Secretariat's Division in Ampara District during the year 2014.	950,000	Year 2014	Inadequate provisions, lack of alliance among the beneficiaries, non-preparing of estimates and problem in selecting a place.
The provisions given under the Gamanaguma Programme to the Raththota Divisional Secretariat of Matale District to provide water facilities to the people in landslip areas.	2,000,000	2014.05.27	It had been planned to provide the water facilities after being constructed the roads to the lands. Thus the road facilitate project had not been completed.
Six project proposals prepared by the Pallepola Divisional Secretariat of Matale District under the Gamanaguma, Palathnaguma and Regional Development Programme	2,200,000	Year 2014	Bad weather and technical reasons.

Ninety one works in the Ganga Ihala Divisional Secretariat Division in Kandy District.	18,575,000	Year 2014	Inadequate provisions, delay the receiving of provisions, transport difficulties due to the road damage, situated on slope lands, difficulties to transport the materials, inadequate time period to implement the proposals, lack of approved contract societies, difficulties in material transportation, difficulties cause to purchasing.
Implementation of 10 projects in the Kamburupitiya Divisional Secretariat's Division.	7,189,602	Year 2014	Primary estimates had not been prepared.
Seventeen Projects in the Kundasala Divisional Secretariat's Division of the Kandy District.	4,700,000	Year 2014	Inadequate provisions, delay to obtain approvals, amendment of project proposals by the political authorities, it had to be implement a large number of projects within a short period of time and heavy rain.
Construction works in 33 Projects in the Kundasala Divisional Secretariat's Division of the Kandy District.	16,150,000	Year 2014	Shortages of building materials, amendment of project proposals by the political authorities time to times and heavy work load of the officers.
Thirteen projects in the Udunuwara Divisional Secretariat's Division of the Kandy District	9,050,000	Year 2014	Without being started the basic works, abandoned of works as at 31 December 2014.
Four Construction works in the Nuwaraeliya Divisional Secretariat's Division.	4,555,000	Year 2014	Awarding of contract to the societies of which do not have adequate financial resources.
Construction of drainage line system and stairs in the Rikillagaskada Herbal Garden.	1,980,000	Year 2014	Even though the constructions had been awarded to complete the works within 20 days, the construction works had not

been started up to the date of audit 02 April 2015.

Two hundred and six 54,996,000 Year 2014 approved projects in the Nuwaraeliya District in the year 2014

Works had not been started.

(b) Projects abandoned without Completing

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Even though the Ministry had commenced the following Projects those Projects had been abandoned without being completed.

<b>Project</b>	<b>Estimated cost</b>	<b>Date of Commenced</b>	<b>Expenditure by 31 December 2014</b>	<b>Reasons for Abandoning</b>
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	<b>Rs.</b>		<b>Rs.</b>	
Construction of a Public Ground and supporting wall in the Madurawala at Keselhenawa Divisional Secretariat's Division in Kalutara District.	3,750,000	Year 2014	2,017,979	-
Construction of multipurpose building at Matibamiya in the Haguranketha Divisional Secretariat's Division.	990,000	Year 2014	224,486	-
Construction of multipurpose building at Labuhenwala in the Haguranketha Divisional Secretariat's Division.	990,000	Year 2014	134,331	

Concerting of Kabaragala Road in the Haguranketha Divisional Secretariat's Division.	1,485,000	Year 2014	825,557	-
Construction of Nugawela multi – purpose building in Kothmale Divisional Secretariat's Division.	1,782,000	Year 2014	-	The project had been abandoned, only after completing 07 items, out of 34 estimated items.
Construction of the Bammaunegama Sarananka Community Hall in the Anamaduwa Divisional Secretariat's Division of the Putlam District	834,000	Year 2014	50,000	-
Angamma water supply scheme No.53, in the Panvila Divisional Secretariat's Division of Kandy District.	1,500,000	11.09.2014	-	The contract society had not come to sign the agreement.
Construction of ground floor of the multi-purpose building at Gombaddala in the Mulatiyana Divisional Secretariat's Division.	-	September 2014	1,500,000	After opening on 06 October 2009, the building had been closed and subsequently part of the construction works in the upper flow had been performed in September 2014. However, without being completed the construction activities, it had been closed up to audited date of 18 March 2015.
Rehabilitation of Weekly Fair and construction of market complex at Beralapanathara in the Pasgoda Divisional Secretariat's Division of the Matara District.	20,475,369	2014.10.07	-	Even though as per the agreement the construction works should be completed by 02 January 2015, construction works up to foundation level had only been completed even by 19 October 2015.
Construction and renovation of Pubbiliya and	10,780,000	2014.07.15	-	Due to the delay in preparation of estimates, the project was at the initial stage

Helebagahawaththa Tanks under the programme of conservation of wildlife and the forest in the Naula Divisional Secretariat's Division of Matale District.				even by December 2014.
Renovation of elephant fence covering 09 Divisions in the Dabulla Divisional Secretariat's Division and construction of a hostel for the Talkote wildlife office.	27,500,000	Year 2014	18,167,743	-
Extend the space of weekly fair at Dikpitiya.	12,300,000	April 2014	12,030,541	Construction works had been completed only up to the ground level even by audited date of audit 19 March 2015.
Construction of the Thuththiripitiya bus stand in the Kegalle Divisional Secretariat's Division	24,440,263	2014.04.02	-	Even though according to the agreement, the construction works should be completed by 31 August 2014, the construction works had not been completed even up to the date of audit 19 March 2015.
Construction of the Bulathkohupitiya Crematorium in the Kegalle Divisional Secretariat's Division.	21,469,815	2014.04.03	-	Construction works had not been completed even up to date of audit 20 March 2015.
Construction of Bulathkohupitiya Weekly Fair in the Kegalle District Secretariat's Division.	34,385,050	2014.01.01	-	-
Construction of electrical fence from Kubukkana Degalaraba to Magal-ara in the Monaragala Divisional Secretariat's Division.	-	Year 2014	5,411,832	The approval of the Department of Wildlife Conservation had not been obtained before the construction of electrical fence. Even though poles and accessories had been purchased, construction

Implementation of Raththanapitiya water scheme in the Monaragala Divisional Secretariat's Division.	1,485,990	2014.09.09	1,267,567	-	works had not been commenced up to date of audit, 25 March 2015. Even before obtain the approval for the constructions purchasing had been made.
Construction of electrical satellites covering 48 km in the Udadumbara, Medadumbara Divisional Secretariat's Division of the Kandy District.	5,724,098	2014.09.22	-	-	According to the agreement for the proposed construction of electrical fence, it had been failed to supply of 2.5 mm High Tensile Galvanised wire on the agreed date of 22 October 2014 and even at the date of audit, 01 June 2015. As a result, entire project was discontinued and expected objectives of the Government could not be achieved. It was confirmed in audit that the Committees of Procurement and Technical Evaluation had not performed their duties in responsible manner. If this project was completed during the scheduled time period, 02 lives that were lost due to the elephant's attacks could have been saved.

**(c) Projects Without Progress Despite Release of Money**

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Instances where no progress has been made on constructions despite the release of money to the Ceylon Electricity Board and the National Water Supply and Drainage Board.

- (i) A sum of Rs.1,831,400 had been paid by the Kalutara Divisional Secretariat on 20 March 2014 to the National Water Supply Drainage Board for 05 water supply projects. However, those projects had not been commenced even by 01 June 2015. Further, although a sum of Rs.1,000,000 had been paid on 21 May 2012 for a project, that project had not been commenced and a sum of Rs.892,857 had been repaid on 21 April 2014 by the Board returned back a sum of Rs.107,140 to the Kalutara Divisional Secretariat. That amount had been returned to the Board

again on 25 November 2014 on an agreement to complete the project within 07 weeks. However, the project had not been implemented even by June 2015.

- (ii) Even though a sum of Rs.2,892,798 had been paid to the Ceylon Electricity Board for 12 electricity supply schemes in 5 Divisional Secretariat's Division of the Kurunagala District, even after lapse of one year the activities had not been commenced up to October 2015.
- (iii) A sum of Rs.8,624,000 had been paid to the National Water Supply and Drainage Board for implementing of 04 water supply schemes in the Yatiyanthota Divisional Secretariat's Division. However, action had not been taken to commence the projects even up to 20 October 2015.
- (iv) A sum of Rs.1,188,000 had been obtained as advances for the projects in the Kothmale Divisional Secretariat's Division. However, without being commenced the works over a period of 3 ½ months, the public funds had been misused in 6 instances.

**(d) Non-achievement of Objectives even though the Projects had been completed**

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Even though the following projects were completed, the objectives of those projects had not been achieved.

- (i) To control the houses coming due to spill over of Black Water canal during the rainy seasons in the region of Ambagamuwa Divisional Secretariat in the Nuwaraeliya District, a contract had been awarded for an estimated value of Rs.729,000. Due to non-removing of a rock stone in the middle of the channel, expected objectives had not been achieved even up to date of audit 08 April 2015.
- (ii) A vehicle park had been constructed at the entrance of Haguranketha Tank by the Haguranketha Divisional Secretariat in Nuwaraeliya District incurring a sum of Rs.990,000. Since it is difficult to park more than three vehicles, the objectives of the project had not been achieved.
- (iii) The Programme for distribution of nutritional food packs to the breast feeding mothers and pregnant mothers in the Nuwaraeliya District had been conducted only in 21 Gramaseva Divisions, out of 72 Divisions in the Nuwaraeliya Divisional Secretariat's Division and 31 Gramaseva Divisions, out of 131 Divisions in the Haguranketha Divisional Secretariat's Division.

**(e) Quality Issues in Projects**

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The quality issues were existed in the following projects.

- (i) Even though a sum of Rs.127, 564,526 had been paid for the concrete used for 469 audited projects in the Nuwaraeliya District, the laboratory test reports had not been obtained in order to prove the quality standards.
- (ii) Without having the approval of an Engineer, the Munwaththa community building, in the Walapana Divisional Secretariat's Division of the Nuwaraeliya District had been constructed at an estimated cost of Rs.1,964,000. Due to over distance of 22 feet between two columns of the building the concrete flat was bent from the middle.
- (iii) Even though a sum of Rs.198,000 had been incurred to laying concrete bricks to Baduhela Miriyagaha road, the road had been totally sunk.
- (iv) A sum of Rs.19,967,525 had been paid to the contractor for successful completion of Kumwood road development project as at 31 December 2014 by the Nuwaraeliya Divisional Secretariat. However, before lapse of even 06 month it was shown at the date of audit, 20 May 2015, that the road was hardly decayed.
- (v) The reconstruction contracts for 07 Tanks in the region of Puttalam Urban Authority area had been awarded to Community Based Societies under the Dayata Kirula National development Programme for an agreed amount of Rs.10,918,968. Out of that amount, a sum of Rs.5,926,723 had been paid without being marked the boundaries in most of the Tanks, and not removed the unauthorized dwellles and the excavated soil from the inner part of the Tanks had been laid on the Tanks' bunds. Without having the approval from the Central Environmental Authority and the Department of Agrarian Services, two Tanks had been filed up with gravel and soil. Due to unauthorized occupants and fillings, a Tank extend of 1 acre and 25 perches and another Tank extend of 54 acres had been reduced to 4 perch and ¼ acre respectively.
- (vi) According to the accepted building standards, SLS certified standard cement blocks should be used for construction works. However, low standard cement blocks had been used to construction of 13 building valued at Rs.15, 012,138 in the Kothmale Divisional Secretariat.

**(f) Constructions Deviated from Objectives**

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A sum of Rs.297,000 had been incurred to laid concrete to a private road at Lakshapana Poseshart road in Abagamuwa Divisional Secretariat.

**(g) Over payments for Projects**

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A sum of Rs.5,140,000 had been paid for concrete, based on the fraudulent laboratory reports, to 8 projects examined belonging to Abagamuwa Divisional Secretariat.



## **(h) Continuation of Projects**

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According to the second condition of the “implementing guidelines of programme for the year 2014” issued by the Secretary to the Ministry of Economic Development called Doring Dorata and Gaming Gamata, the instructions had been given to complete the approved projects during the year under review and not to continue the project to forth coming years. Contrary to these instructors, 23 Projects valued at Rs.119,117,328 conducted by the Maharagama Divisional Secretariat, 06 Projects valued at Rs.64,607,605 conducted by the Colombo Divisional Secretariat, 21 Projects valued at Rs.79,592,077 conducted by the Kotte Divisional Secretariat, 41 Projects valued at Rs.73,029,472 conducted by the Kaduwela Divisional Secretariat , 1,696, Projects valued at Rs.757,272,922 conducted by 30 Divisional Secretariats in Kurunegala District and 463 Projects valued at 278,384,336 conducted in the Matale District had been continued.

### **3.13 Performance**

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The observations on the progress of the Ministry according to the Annual Budget Estimates and Action Plan for the year 2014 are given below.

#### **Activities Contrary to the key Functions**

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Instances of action deviating from the objectives taken by the Ministry were observed. Several such instances revealed during test checks are given below.

- (a) A sum of Rs.106,873,148 had been incurred to purchased water containers, related to disaster management, not come under the preview of the Department of Divinaguma Development and distribute among the people who suffered from drought. The following observations are made in this connection.
- (i) Out of Rs.106,873,148 that incurred for this activity, a sum of Rs.56,390,682 had been incurred from the Capital Provision given under the Object of 105-2-11-2015 ‘land and land development’, without obtaining the approval of the Ministry or the General Treasury.
- (ii) According to Section 2.14.1 of the Procurement Guideline, urgent, special and estimated value over Rs.90 million procurements should be furnished to the Cabinet Procurement Committee. However, this procurement had been performed by the Departmental Procurement Committee. In such instances, the reasons to make the procurement should be clearly reported in writing and a copy of that should be submitted to the Auditor General. But, the Department had not followed this requirement.

- (iii) Without being obtained an advance payment guarantee, a sum of Rs.1 million had been paid to a water container supplier.
  - (iv) According to the information made available for audit, 224,694 water containers had been purchased for Rs.105,770,780. However, the confirmations had not been furnished by the respective Districts relating to the receiving of 25,894 water containers which were approximately valued at Rs.13,867,385.
  - (v) Without calling quotations to transport water containers to the respective Districts, two institutions had been selected and a sum of Rs.1,102,440 had been paid to those Institutions.
- (b) Thirty two thousand nine hundred and seventy six galvanized pipes costing Rs.36,509,127 had been purchased in December 2014 and distributed to 58 Local Authorities to use them as flag poles. The following observations are made in this connection.
- (i) Supply of flag poles to the Local Authorities was not related to the scope of the Department of Divinaguma Development and none of the Local Authority in the Island had made such a request. Further, there was no criteria to the selection of 58 Local Authorities for the distribution of flag poles.
  - (ii) The provisions for this procurement had not been made for the year 2014 and a total cost estimate had also not been approved through the annual procurement plan.
  - (iii) In terms of Financial Regulation 751, 28,310 pipes distributed to 48 Local Authorities had not been taken to stock Registers.
  - (iv) Five thousand three hundred and ninety eight pipes distributed to 17 Local Authorities, had been transferred to another Local Authorities without having approval of the Department.
  - (v) Nine thousand one hundred and ninety five pipes distributed to 33 Local Authorities had been released to the Chairman, Vice-Chairman or to the Members of the Authorities and 2,734 pipes that given to 11 Authorities had been issued to external parties without having the approval of the Department.
- (c) In order to introduce a life insurance policy and a pension scheme to all Three Wheel Drivers in the country, 1.1 million information collection forms had been printed incurring a sum of 2,402,400 in December 2014 and those forms had been distributed to the all Districts by the Department of Divinaguma Development. The provisions to

- implement this programme had not been provided through the Annual Budgetary Estimates and a methodology and a plan had not also been prepared. The information was not summoned from the District offices up to 31 December 2014 and follow-up actions had also not been taken. All the activities of the programmes were paralysed by March 2015 and entire expenditure incurred thereon had been become ineffective.
- (d) A sum of Rs.8,227,408 had been incurred in December 2014 to print 2.81 million Forms in order to collect the information for increase the samurdhi benefits and to identify new eligible families for samurdhi benefits to be paid. The following observations are made in the connection.
- (i) This programme was not approved through an Action Plan and specific provisions had not been made from the annual budgetary estimates to implement the programme.
  - (ii) All activities relating to the printing of forms including issuing of procurement documents had been performed within one day.
  - (iii) Instances were observed that 312,993 forms costing Rs.907, 680 had been kept idling without being distributed and the forms issued to District officers had been returned to the Department's store without being used.
  - (iv) The particulars relating to new beneficiaries that identified through this survey had not been collected by the Department up to May 2015. This programme had been totally abandoned by May 2015 and it was observed that expenditure incurred thereon had been become fruitless.
- (e) The following deficiencies were observed relating to the advertising programmes conducted by the Department of Divinaguma Development during the months of November and December in the year 2014.
- (i) Action had been taken to pay a sum of Rs. 5,040,000 for two television advertising programmes on "Development of 1210 Rural Brigs Programme" conducted by the Ministry of Economic Development upon the opinion of the Secretary. That programme was not included in the livelihood development programme of the Department of Divinaguma Development for the year 2014.
  - (ii) A sum of Rs.997,476 had been paid by the Department for newspaper advertisements that published in 09 newspapers to advertise the "Isurumath Nivahanak Programme" in November 2014 on two consecutive days, without having prior approval and personal concern of the Media Officer of the Department.
  - (iii) A sum of Rs.707,625 had been paid to a Programmes Production Institute for 3 short television advertisements, 30 second each, without a proper approval of the procurement committee by

making a false statement that as advice was given by the Secretary to the Ministry and these programmes had not been telecasted up to May 2015.

- (iv) The commitments amounting to Rs.22,896,680 had been entered in to by the Department for the newspaper advertisements published in 07 newspapers with a photograph of the former President.

### **3.14 Transactions of Contentious Nature**

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Certain transactions entered in to by the Ministry had been contentious nature. Particulars of several such instances observed during the course of test checks are appear below.

- (a) Under the World Food Programme, 1,080,864 caned fish tins were received on 09 July 2014 to a World Food Programme from the Government of Japan. Before make confirmation by the Sri Lanka Standard Institute relating to the suitability for consumption of those food items, 109,536 caned fish tins had been issued to the District stores by the Project.
- (b) Three “Toshiba E Studio 2007” photocopier machines had been purchased from a private firm by the Ministry on 22 July 2014 for Rs.635,040 (including VAT) at a rate of 211,680 per each. A photocopier machine with high technical specifications than the above machine had been purchased for Rs. 172,480 from a State Corporation on 22 July 2014. Accordingly, a sum of Rs.117,600 had been lost to the Government due to the purchasing of the photocopier machine from a private firm.
- (c) The Ministry had entered into an agreement with the Mahavali Authority for establishment of offices for the Deputy Ministers. Despite the monthly rental estimate amounting to Rs.575,000 of the Government valuer, an agreement was signed to pay monthly rental of Rs.642,000. Due to the payment of an additional amount of Rs.67,000 than the estimated rental, a sum of 1,206,000 had been over paid from May 2013 to October 2014.
- (d) In the main road of Dikhenapura in Horana Divisional Secretariat’s Division, asphalt thickness was 25.7 mm in the area of 590m<sup>2</sup> at 0+850 Division. Although the required asphalt quantity for that thickness was 36 tons, the payment had been made to 58 tons, exceeding a sum of Rs.279,400 (22 x 12,700). In the area 0+850+1+850 of the above road, average physical thickness of the asphalt layer was 36.6 mm and 7.46 mm wide. However, the payments had been made for the thickness of 48mm and 7.9mm wider areas. Accordingly, an over payment of Rs.3,175,000 had been made to the contracted Company. Further, although the area from 1+894+3+445 of that road can be maintained with 40mm thickness, over estimate of 50 mm thickness had been prepared. But at the physical verification, it was

observed that asphalt thickness was only 36.6mm and the payments had been made for 48mm thickness. As such, a sum of Rs.2,120,900 had been over paid to the contracted Company for 167 tons of asphalts.

- (e) At the physical examination conducted at the Rathnapura Niralgama road with the Executive Engineer and the Laboratory officers, it was observed that asphalt thickness of the road was 48 mm. But, when making the payments, a sum of Rs.3,723,720 had been over paid for 273 asphalt tons considering the thickness of the road as 52mm and vibration factor as 2.38mm instead of 2.35mm. Although an over estimate for ABC 7,545m<sup>3</sup> had been prepared for the entire distance of the road, the payment had been made indicating as actual usage as ABC 8,423.9m<sup>3</sup> without being obtained the approval for the over usage of 878.9 m<sup>3</sup>, the payment had been made to the contract company. Also, an estimate had been made for 146 tons of Binder Course for the road. At the physical examination conducted at the road, it was observed that the Binder course had not been used at the proposed place of the road and the bills had been submitted for supply of 146 tons of Binder Course to the total distance of 6.5 km, within two hours. Supplying of 146 tons of Binder Course within two hours practically cannot be done and without being confirmed the use of Binder Course to the road, a sum of Rs.1,947,640 had been paid to the supplier.
- (f) A sum of Rs.1,087,830 had been transferred to the Housing Lottery Fund in the year 2014 on behalf of 108,783 beneficiaries in terms of Section 2.1 (II) Samurdhi Commissioner General's Circular No.2013/1 dated 10 January 2014. The lottery drawings had not been conducted since the year 2012 and a sum of Rs.75,000 which should be paid to a Lottery Winner of the year 2007 had not been paid.
- (g) Two officers who had been required to the Ministry's planning Division in Nuwaraeliya District Secretariat had rendered their service to a Member of Parliament for the period of 2010 – 2014 without being rendered their service to the above Division and a sum of Rs.1,785,530 had been paid as their salaries.
- (h) A sum of Rs.3,768,325 had been incurred to put an full page advertisement in 9 local newspapers to inaugurate opening of 210 bridges and commencement of the construction works of 1000 new bridges under the Rural Bridge Programme implemented by the Ministry under a foreign funded project . However, according to the progress reports, out of 210 bridges, construction works of many bridges had not been completed and even the first agreements had not been signed for 1000 bridges. Even though the Commissioner of Election had instructed that not to publish the advertisements that were intended to improve presidential candidate's image within the election period, a photograph of a presidential candidate had been

included to this advertisement. Therefore, it was observed that this advertisement was published on behalf of the propaganda campaign of a presidential candidate.

- (i) A sum of Rs.12.248 million had been incurred in the year 2014 to repair the buildings situated at Castle street Borella and the office used by the Samurdhi Commissioner General's Department, in order to establish the Head office of the Department of Divinaguma Development.
  - (i) The reasons to shift the Head office of the Department from the Sethsiripaya premises with effect from 27 April 2014 had not been explained to audit and the authority and formal approval for the above decision had not been furnished to audit. Although the Head office was shifted from the premises of the Sethsiripaya, an approximate amount of Rs.6 million had been paid as rent per month up to July 2014.
  - (ii) In terms of Section 3.2 of the Procurement Guideline, in order to being an eligible contactor, there should be relevant and valid registration at the ICTAD for the local contractor while it submits the bids for contracts. However, ICTAD registration of the selected bidder had been cancelled, from 24 September 2011.
  - (iii) In terms of Section 2.14.1 of the Procurement Guideline, if the bids are called under the shopping Basis by a Departmental Procurement Committee, minimum of 5 sealed bids should be called. However, in this procurement, the bids had been called only from 3 Institutions.
  - (iv) Even though the letters for calling bids were sent on 07 April 2014, two companies had submitted their bids before that date.
  - (v) According to the documents in the file, it was proven that 07 functions such as calling of bids and preparation of vouchers to pay the advances had been done within a day.
  - (vi) In terms of Section 2.7.5 of the Procurement Guideline, the approval should be given by a Procurement Committee comprising 3 members including officer similar to level of a Senior Assistant Secretary of the Line Ministry or a Director in paralleled level. However, contrary to this, the Procurement Committee was comprised of four Departmental Officers.
  - (vii) In terms of Section 8.9.1 of the Procurement Guideline, after accepting a bid, the two parties should be entered into a written agreement. However, such an agreement had not been signed for this construction contract.
  - (viii) In terms of Section 5.4.4 (i) of the Procurement Guideline, maximum of 20 per cent of the contract value can be paid as a mobilization advance on an accepted 'advance payment bound'. However, a sum of Rs.2,000,000 , out of the contract value of Rs.3,772,245 or 53 per cent, had been paid without being obtained an accepted advance payment bound.

- (ix) Exceeding the approved limit of the repairing of one premises amounting to Rs.5,980,000, an over payment of Rs.1,629,397 had been paid without having an approval.
  - (x) Without being obtained an Engineer's certificate for the final payments, action had been taken to make the payments to the contractor.
  - (xi) One activity relating to the repairing works had not been completed by the contractor and action had not been taken to recover a sum of Rs.1,500,000 that should have been further recovered from the advance given. Further, all activities of the contract had been abandoned by the month of May 2015 and all offices of the Department had been removed from the premises. Nevertheless, the balances that should be further recovered from the contractor had not been recovered.
- (J) The Divinaguma National Conference had been held in November 2014 and a gross amount of Rs.72 million had been incurred thereon. The following deficiencies were observed in this regard.
- (i) In terms of Divinaguma Act, No.01 of 2013, the Divinaguma conference should be held after being established the Divinaguma Community Based Organizations, Divinaguma Regional Organizations and Divinaguma District Organizations and with the participation of representatives from the above organizations. Nevertheless, before completing of those activities, the Divinaguma Conference had been held.
  - (ii) The specific Provisions had not been made from the Budget of the year 2014 to hold this conference and detailed cost estimate including all the expected expenditure to be incurred had not been prepared in order to obtain prior approval.
  - (iii) Forty thousand partakers scheduled to be participated to this conference. Due to failure of the Department to select a suitable location with adequate seatings, a sum of Rs.16,629,435 had been incurred for the preparation of temporary huts and stages, loud speakers, air conditioners, renting chairs and purchasing of chairs etc.
  - (iv) Even though this conference was held with the participation of the Agents from the Community Based Organizations, a sum of Rs.1,954,300 had been incurred to newspaper advertisements in order to notify the general public. As well, when selecting the Advertising Agencies, the procedures in the Government Procurement Guideline had not been followed.
  - (v) Being held the conference including notification of post of the Chairman of the first Divinaguma Conference, a report to prove the preparation of a national policy in accordance with the objectives of the Divinaguma Act, had not been prepared even up to March 2015. Thus, holding of a National Conference incurring a huge amount of

money, before constituting of Community Based Organization was a matter of contentious nature.

- (k) An aggregate amount of Rs.29,400,000 had been paid, in 5 stages , to a Publication Institute in December 2014 by the Department of Divinaguma Development for printing of 5,000,000 Divinaguma Almanacs at a rate of Rs.5.88 each. The following observations are made in this regard.
- (i) The provisions for the above expenditure had not been provided from the budgetary estimates for the year 2014 and without having a pre-plan, printing of almanacs had been accomplished in 04 phases, within a short period of 12 days. Due to non-forwarding the order at one instance, the price advantage that could have been obtained to the Government had been lost.
  - (ii) Even though number of Divinaguma beneficiary families by December 2014 were 1,479,811 , 5,000,000 almanacs exceeding 338 per cent of beneficiary families had been printed.
  - (iii) In terms of Section 2.14.1 of the Procurement Guideline, the Departmental Procurement Committee can authorized up to Rs.10 million procurements, make under the shopping procurement method for the procurement of goods, works and non – consultancy services. Violating the authority level, that procurement valued at Rs.29,400,000 had been performed by the Procurement Committee of the Department of Divinaguma.
  - (iv) In terms of the Election Commissioners Circular No. PRE/2015/4B dated 02 December 2014, during the notified period of the Presidential Election, the gifts or donations should not be provided with the intention of promoting a Presidential Candidate. However, those almanacs had been printed including a photograph of a Presidential Candidate.
  - (v) Out of 25 Districts, 319,593 almanacs had been distributed to 12 Districts and a sum of Rs.1,879,205 had been incurred thereon.
- (l) Out of Rs.100 million received for the “Gaming Gamata Doring Dorata” Programme in the Vauniya District, a sum of Rs.42.135 million had been incurred for the Occupational Development Programme. Sums of Rs.49,100, Rs.10,000 , Rs.9,000 , Rs.7,800, Rs.6,500 and Rs.2,500 had been paid to each of the beneficiary families by the Planning division of the District. It was observed in audit that a cash fraud had been done by putting a higher amount in the General 36 (6) Form than that of real amount paid to the beneficiaries. According to the audit examination, although it has mentioned that payments made to the beneficiaries as per General 36 (6) Form amounted to Rs.6,670,000, the actual payment made to the beneficiaries amounted to Rs.6,061,000. Similarly there were differences between signatures submitted with the payment vouchers and the signatures put to withdraw money from the Samurdhi Bank.



### 3.15 Improper Transactions

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Certain transactions entered in to by the Ministry had been devoid of regularity. Several such transactions observed are given below.

#### (a) Deviate from the Procurement Guideline of the Government

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- (i) An advance amounting to Rs.1,000,000 or 38.6 per cent of the total payable amount had been paid to the Hector Kobbakaduwa Agrarian Research and Training Institute for supplying of food and beverages to a workshop conducted for the Political Agents and Government Officers, to made aware of the Development Programme of the Government for the year 2014.
- (ii) A sum of Rs.554,064 had been paid as advance, out of 50 per cent of the total value of the machine, to the Sri Lanka Technical Development Board to purchase of Leaf Spring Thinner Machine for Epitawaththa Smithy Village. However, the machine was received after delaying of 06 months.
- (iii) The authority had not been obtained from a Procurement Committee of the Ministry for the construction of Rice selling stalls at the Maradaghamulla Rice Storage Complex incurring a sum of Rs.115 million.
- (iv) Without being called tenders the contract for construction of the Maradaghamulla Rice selling stalls had been awarded to a State Corporation and an advance amounting to Rs.50 million or 43.5 of the contract value had been paid to that Corporation.
- (v) Two thousand six hundred and eight Projects valued at Rs.1084,399,860 related to the Nawaraeliya Divisional Secretariat and another 4 Divisional Secretariats had been given to approved Societies without having the Committee recommendation.
- (vi) Instead of being called open tenders in terms of Section 2.14.1 of the Procurement Guideline of the Government for over Rs.2 million Projects, the Projects had been given to the Community Based Societies by dividing in to packages, when implementing the Projects by the Panadura Divisional Secretariat.
- (vii) When purchasing of 40,056 galvanized pipes valued at Rs.44,347,882 by the Ministry of Local Government and Provincial Councils, using the Ministry's fund, to distribute among 77 Local Authorities had been procured dividing into 06 packages, with a view to avoid the requirements of Section 4.1 and 4.4 of the Procurement Guideline. As a result, the price advantage that could have been obtainable for the entire stock had been deprived.
- (viii) Even though the authorization limit of the Procurement Committee for shopping procurement method of the Department was Rs.10 million, the procurements aggregated Rs.76.997 million had been made in 3 instances over the limit by the Department of Divinaguma Development on the approval of the Procurement Committee.
- (ix) Even though sealed quotations should be obtained when calling for bids, actions had not been taken by the Divinaguma Department to obtain sealed

quotations in 12 instances for the procurements amounting to Rs.138.305 million.

- (x) If it is placed an order within 06 months from the date of main contract awarded, the order value should not exceed the 50 per cent of the original contract value. However, after purchasing of 6,840 galvanized pipes in the third Stage, 8,504 or 124 Per cent galvanized pipes valued at Rs.4.4 million had been purchased in the fourth Stage based on the above quotation.
- (xi) At the time of opening of bids, the bidders or their representatives should be participated and in front of them bids should be opened. However, it was unproven that participation of bidders while opening of bids for the procurements of Rs.69.1 million.
- (xii) An agreement was signed with a State Corporation for the construction of Tuththiripitiya Bus Stand at a cost of Rs.24,440,263 and construction of Dhippitiya weekly fair at a cost of Rs.13,029,836 under the supervision of Kegall District Secretariat for the Dayata Kirula Project. The activities such as preparation of project estimates and supervision etc. had been awarded without following the procurement procedure of the Government. In turn, without following the Government Procurement Procedure, that Corporation too, the constructions had been awarded to the residents in the area.
- (xiii) Even though a sum of Rs.4,192,155, or 20 per cent of the contract value, had been paid as mobilization advance to the contractor on 10 April 2014 for the construction of Thuththiripitiya Bus Stand, only a sum of Rs.2,192,155 had been deducted from the second and third bills and balance of the advance had not been recovered up to 19 March 2015.
- (xiv) Twenty per cent of mobilization advances amounting to Rs.5,897,950 and Rs.2,055,763 had been paid to the contractors of the constructions of Bulathkohupitiya and Dhippitiya Weekly Fairs in Kegall District respectively in July 2014. At the date of audit on 20 March 2015, the respective constructions had been discontinued and sums of Rs.170,950 and Rs.834,963 had only been recovered respectively. Accordingly, out of the advances, sums of Rs.5,727,000 and Rs.1,220,800 had to be recovered from the Contractors.
- (xv) An amount of Rs.6,735,763 had been paid as mobilization advances for 21 constructions by the Kilinochchi District Secretariat, without being obtained formal security bounds in terms of Section 5.4.4 of the Procurement Procedure of the Government.

**(b) Unauthorized Transactions**

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The following observations are made.

- (i) In order to evaluate the development programmes implemented in the Western Province under the Batahira Aruna, a permanent committee and sub-committees were established and a sum of Rs.806,516 had been paid to the committee members as participation allowances during the year 2014 and January 2015. That payment had been made based on the Cabinet

Memorandum of the Minister of Construction, Engineering Services, Housing and Utility Services, No.03/2013 dated 17 January 2013, that was not applicable to this Ministry.

- (ii) An Elephant Fence had been scheduled to be constructed at an estimated cost of Rs.24,782,878 with the view to minimize the complicit between human and elephants in the Trincomalee District. This contract had been divided into 18 phases by the Nagara and Kadawathsathara Regional office, not exceeding the contract values by Rs.1 million, and the contracts were awarded to the community based societies. However, finally, all the contracts had been done by one sub- contractor and a sum of Rs.9,725,177 had been paid during the year 2014. The approval given by the Department of Wildlife Conservation in August 2014 for the construction of this Fence had been cancelled in September 2014. As a result, although the contractor had supplied the goods to the sites, those goods had been idle up to October 2015.
- (iii) The programme of 'Isurumath Navahanak' which was not approved through an Action Plan of the Department for the year 2014, had been implemented as a programme for Development of the houses of Divinaguma Beneficiaries. Under this programme, a sum of Rs.2,992,777,500 had been paid to 1,197,111 Divinaguma Beneficiary Families, Rs.2,500 to each family, using the funds at the Bank of Community Based Societies.

The following deficiencies were observed in this regard.

- A sum of Rs.15 billion expected to be incurred for the entire programme and it had planned to give a sum of Rs.10,000 per family. However, the authority to implement the programme had not been given by the line Ministry or the General Treasury.
  - Actions had not been taken to obtain the provisions prior to implement the programme and the prior approval of the Treasury had not been obtained for incurring the expenditure.
  - Even though this programme was associated with the Specific Beneficiaries, a sum of Rs.997,476 had been expended for advertising notices in order to give a publicity to entire country. In addition, according to the letter of the Election Commissioner No.PRE/43 dated 22 November 2014, it was informed that not to utilized public properties to improve the image of Parties/ Candidates during the Presidential Election period. Contrary to this, a photograph of a Candidate had been included to printed media notices.
  - Even though the activities such as supervision of the entire programme, reporting the progress and examining the feedback should be performed, the progress of the programme had not been reported up to March 2015. Also, after incurring an approximate amount of Rs.3 billion, this programme was fully abandoned.
- (iv) According to the Ministry's Internal Circular No.01/2012, 2 per cent from the total expenditure incurred, can be retained as administration expenditure

of the respective Institute. The administration expenditure so as allowed to retained by the Kandy District Secretariat amounted to Rs.9,477,392. However, a sum of Rs.12,033,027 had been incurred as the expenditure , under Head 105 of the District Secretariat. As a result, allowed limit of the administration expenditure had been exceeded by Rs.2,555,635.

### **3.16 Losses and Damages**

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

- (a) The air tickets valued at Rs.1,040,000 had been purchased by the Ministry in various instances and those tickets had been cancelled due to the various reasons. Even though air tickets valued at Rs.858,860 had been settled against other air tickets, the balance amounting to Rs.155,540 had not been recovered up to 31 December 2014.
- (b) In order to apprise the progress of the Dayata Kirula Exhibition and Development Programmes to the Cabinet of Ministers, 150 books in 36 pages had been printed incurring a sum of Rs.894,000. Since the cost of a book was Rs.5,964, audit had obtained quotations from several institutions including an institute which had submitted the quotation as per the specifications. Then it was revealed that printing cost of a book ranging from Rs. 1400 to Rs. 1650. Hence, due to perform the printing work without understanding the market price for the printing, a sum of Rs.600,000 had been lost to the Government.
- (c) According to the agreement signed between the Makuruppa Samurdhi Bank and the General Society on 09 August 2001, affiliated to the Haguranketha Divisional Secretariat, a loan amounting to Rs.500,000, Rs.100,000 per person, had been given to a marketing project comprising of 5 persons. The agreements had not been signed with the persons and the respective loan had not been recovered up to 31 December 2014.
- (d) A loan balance amounting to Rs.865,658 which was given by the Department of Divinaguma Development (Samurdhi Authority) remained since 2011 – 2013 and a loan amounting to Rs.923,621 that was given in the year 2014 under 03 Community Based Banks had not been recovered.
- (e) A jeep used by a Deputy Minister had met with an accident on 21 May 2013 and it was garaged at the AMW institute without being repaired. As a result, a sum of Rs.69,320 had been paid to that institute for the period of 21 May 2013 to 24 November 2014 as associated expenses.
- (f) The jeep used by a Deputy Minister was an accident on 21 May 2013 and as a result, that vehicle with a market value of Rs.18 million had been

condemned. Subsequently, the Deputy Minister had a meeting with the AMW Institute and that Institute had submit of a repairing estimate amounting to Rs.7,729,023. Due to the disagreement rose with the Insurance Agent, that vehicle was in garage about 2 years without being repaired and insurance claim for full damage had not been recovered. As a result, a loss caused to the Government.

- (g) An over payment of Rs.1,178,117 had been made to the contractors who engaged in 31 Development Projects during the year 2014 in the Divisional Secretariat's Divisions of the Badulla District, due to the non-application of correct rates and quantities for the estimates and due to inclusion of false costs to the estimates.
- (h) The huts and other equipment used for the district level informative meeting held at the Rathnapura New Town Ground could have been obtained for Rs.1,323,300 within area of Rathnapura. However, a sum of Rs.1,936,650 had been paid to another firm and as a result a loss of Rs.613,350 had been incurred by the Government.
- (i) Two hundred and six cows had been purchased for Rs.10,300,000 at a rate of Rs.50,000 and had been distributed among 206 beneficiaries in the Karachchi Divisional Secretariat's Division in the Kilinochchi District as a Project of encouragement of cow farming. It had not been entered into an agreement with the supplier and at the physical examination, it was observed that market value of a cow amounted Rs.35,000. Thus, an excessive amount of Rs.3,090,000 had been incurred for 206 cows.
- (j) There was an ability to supply one litre of drinking water at a cost of Rs.1.00 to the Karachchi Pradeshiya Sabawa in the Killinochchi District. However, one litre of drinking water had been purchased by the Kilinochchi Divisional Secretarial in seven instances at Rs.3.00 from a private Institution. As a result, an additional amount of Rs.238,000 had been paid to the supplier.

### **3.17 Uneconomic Transactors**

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The particulars of transactions entered into devoid of economy revealed during the course of test checks are given below.

- (a) Even though it was stated that the computer software system purchased for Rs.145,000 on 31 December 2012 was essential to examine the assets at the District and Regional levels, the assets at the District and Regional offices of the Ministry had not been insert to the system.
- (b) A workshop had been conducted at the Hector Kobbakaduwa Agrarian Research and Training Institute from 13 to 24 January 2014 in order to notify the development programme of the Government for the year 2014 to

Political Agents and to the Government officers. According to the attendance register, number of participants were 4,279 , but according to the schedules submitted for the payments, the number of participants were 14,755. A sum of Rs.1,838,688 had also been paid on behalf 10,476 participants who had not certified their attendance and this was an additional burden cost to the Government.

- (c) Two Local Government Agents of the Ehaliyagoda Pradeshiya sabha, who were not Blacksmiths and the residents of the Epithawaththa village had been sent to a training workshop conducted in South Korea from 09 to 18 June 2014, instead of being sent Blacksmiths at the Epitawaththa village to the workshop. As a result, the training that could have been acquired by the Blacksmiths at the Epitawaththa village had been omitted due to the participation of individuals not connected to the project.
- (d) Fuel had been obtained in excess by the officers who had assigned vehicles of the Ministry exceeding the limits of fuel allowances. At the examination of running charts, it was observed that reimbursement of fuel had been made exceeding the distance of travel. Sums of Rs.97,814 and Rs.202,030 had been reimbursed to an Additional Secretary and to a Director respectively, exceeding the distance of travelled.
- (e) In order to print 45,882,350 informative leaflets on agricultural activities that related to the Divinaguma Programme, an order had been placed by the Secretary to the Ministry of Agriculture to the Government Printer. However, a sum of Rs.53,201,597 had been paid to the Government Printer for the printing of 48,576,150 leaflets.
- (f) Even though actual requirement was only 11,775,250 leaflets relating to 16 items, 14,244,500 leaflets had been printed and distributed. An additional amount of Rs.3,073,850 had been paid for 2,469,250 unordered leaflets to the State Printing Corporation.
- (g) The contract for development of the Gorakana Sport Ground in the Panadura Divisional Secretariat's Division of the Kalutara District had been awarded at an estimate value of Rs.5,000,000. However, the ground had been filled with building scraps, instead of being filled with approved gravel. As a result, the expended amount of Rs.4,021,734 had been fruitless.
- (h) For the construction of a Stage to the Divinaguma ceremony held in Nuwaraeliya on 10 March 2014, four quotations had been obtained from the firms in Colombo and sum of Rs.2,425,000 had been incurred thereto. Sums of Rs.376,500 and Rs.79,000 had to be incurred as transport cost and to an Air Conditioner that was not required for the area of Nuwaraeliya respectively.

- (i) For printing the progress books relating to the Deyata Kirula National Exhibition of 2014 and Development Programmes, a sum of Rs.894,000 had been incurred to print 150 books at a rate of Rs.5,960 per book, in 32 pages, in A4 size. However, those books could have been printed at a cost of Rs.277,200. Thus, due to the ineffective decision made by the members of the Procurement Committee and Technical Evaluation Committee, this uneconomic transaction had been occurred.
- (j) For the purpose of granting driving licenses for the youths in the Matara District, the provisions amounting to Rs.3,387,000 had been provided in the year 2014 and 491 beneficiaries had been selected for the written exam and a sum of Rs.1,693,950 had been paid as an advance for writing examination. The balance amounting to Rs.1,693,950 had been deposited in the General Deposit Account contrary to Financial Regulation 136 and 137 even as at 15 May 2015. Even though the payments should be made after being passed written examination, a sum of Rs.269,100 had been paid to the Training Institute on behalf of 36 trainees those who did not sit for the exam and 42 those who failed the exam.
- (k) For the purpose of development of minor export crops in the Matara District, 1,637,030 Cinnamon plants had been distributed in 16 Divisional Secretariat's Divisions and a sum of Rs.6,548,120 had been paid to the transporter for the transportation. The required specifications had not been mentioned when selecting the suppliers and an equal cost of Rs.4.00 per plant had to be incurred due to non-selecting the suppliers in nearby the Divisional Secretariats.

### 3.18 Unresolved Audit Paragraphs

Reference to the audit paragraphs relating to the Ministry included the reports of the Auditor General on which follow- up actions had not been finalised is given below.

Reference to Report of the Auditor General		Referred Subject
Year	Paragraph No	
2011	LP/F/MED/Ad.A/2011	Failure to recover the Distress Loan and Property Loan interest thereon Rs.1,076,581 from two officers who proceeded aboard on overseas leave.
2012	MED/A.P.O.A./AQ/18	
2013	YS/C/MED/A.P.O.A./2013	
2014	YS/C/MED/A.P.O.A./2014	
		Failure to take over the power of attorney relating to the property to which the said property loan was granted.
		Failure to recover the salary paid during

the period the officers were abroad, the expenditure incurred for the foreign training and fine payable for failure to serve during the compulsory period of service amounting to Rs.2,342,630.

Failure to take disciplinary actions against the authorities who had released the loan.

2011	LP/F/MED/A.d.A/2011	Failure to recover the loan balance of Rs.109,650 from an officer who had joined to the public service on a forged appointment.
2012	MED/A.P.O.A./AQ/18	
2013	YS/C/MED/A.P.O.A./2013	
2014	YS/C/MED/A.P.O.A./2014	
2011	LP/F/MED/A.d.A/2011	Failure to recover the loan balance of Rs.332,331 at least from the death gratuity of the officer for not using the exam to the relevant purpose.
2012	MED/A.P.O.A./AQ/18	
2013	YS/C/MED/A.P.O.A./2013	
2014	YS/C/MED/A.P.O.A./2014	
2012	MED/A.P.O.A./AQ/18	As the pension gratuity of an interdicted officer had been deprived of it had not been possible to recover the loan balance amounting to Rs.64,314.
2013	YS/C/MED/A.P.O.A./2013	
2014	YS/C/MED/A.P.O.A./2014	
2012	MED/A.P.O.A./AQ/18	Failure to recover the two years' salary loan amounting to Rs.4,075,159 as a lump sum granted to 19 officers of the Kilinochchi and Mulathiue District Secretariats without approval.
2013	YS/C/MED/A.P.O.A./2013	
2014	YS/C/MED/A.P.O.A./2014	
2013		Five per cent and 15 per cent special allowances cannot be given to the officers who covered the duties in the Foreign Funded Projects. However, according to the audit test check carried out in 3 Foreign Funded Projects, it was observed that 79 officers had been paid that special allowance with their remuneration amounting to Rs.3,132,075 for the period of 2011 to September 2014. Disciplinary actions had not been taken against the officers who made these fraudulent payments.
1.6 (V)		



2013 1.6(IV)	The telephone bills from the year 2013 to January 2014 amounting to Rs.2,094,018 had been reimbursed to 65 officers violating the circular instructions.
2013 1.6 (IV)	Even though it is allowed to obtain a leased vehicle for a specific period for urgent requirement and maximum rental that can be payable to a rental motor vehicle amounted to Rs.40, 000, the Ministry had rented a motor vehicle for monthly rent of Rs.150, 000, Thus an excessive amount of Rs.1, 057,334 had been paid for the period of 20 February to 26 December 2013.

### 3.19 Management Weaknesses

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

- (a) Even though 184 individual projects valued at Rs.4,052,137 had been identified to implement in the Nuwara Eliya Divisional Secretariat's Division under the Divinaguma Occupational 'Gaming Gamata Dorin Dorata' Development programme of the year 2014, the relevant funds had been kept in the Divinaguma Community Based Banks up to 20 October 2015.
- (b) Eight hundred and twenty six officers who had resigned on voluntary resign scheme in 23 Districts, worked in the Samurdi Authority, the Southern Development Authority and Upcountry Development Authority which had been amalgamated to establishment of the Department of Divinaguma Development, had paid amounting to Rs.833,237,615 as compensation and gratuities up to 31 December 2014, using the funds in the Divinaguma Community Based Banks in each of the Districts. Even though these payments had been made by the Banks based on the written guarantee given by the Director General of the Department promising reimburse the money to the Banks, the funds had not been reimbursed up to October 2015. Further the fixed deposits of the Banks had been used for these payments. And as a result, the interest receivable on those fixed deposits had been loosed by the Banks.
- (c) The interest paid on the saving accounts of the Samurdi beneficiaries in the Haguranketha Divisional Secretariat during the year 2014 to be reimbursed from the Samurdhi Authority. However, a sum of Rs.1,682,203 out of the interest paid had not been so reimbursed.

- (d) According to the Operating Circular letter No.23 of the Samurdi Societies of the Samurdi Authority, the objectives of the opening of Diriya Matha Accounts should be achieved, but the deposits amounting to Rs.2,514,911 in the Haguranketha Divisional Secretariat had been idle up to 31 March 2015.
- (e) The shares and deposits valued at Rs.18,821,457 at 10 Community Banks in Haguranketha had been idle up to 20 October 2015.
- (f) In terms of the Circular of the Director General of the Department of Divinaguma Development No.2014/11 dated 30 October 2014 under the theme of Isurumath Nivahanak, a sum of Rs.64,707,500 had been paid to 25,883 Beneficiaries in 05 Divisional Secretariat's in the Nuwareliya District using the savings made by Beneficiaries at the Divinaguma Community Based Bank Societies, had not been reimbursed up to 30 January 2015 and action had not been taken to pay another sum of Rs.30,055,000 to 12,022 Beneficiaries.

### **3.20 Human Resources Management**

#### **----- Appointments not in compliance with the Circular Instructions -----**

Appointments not in compliance with following circular instructions were observed.

- (a) In terms of the Management Services Circular No. 33 dated 05 April 2007, the service period of the officers who had been released from Public Service, Provincial Public Service including the Local Authorities, State Corporations and Statutory Boards should not more than 05 years. However, 12 officers who had been released from the Public Service on the permanent basis to the Project of "World Food Programme", conducted under the Ministry, had been served exceeding 5 years' service period and an allowance of 50 per cent from the basic salary had also been paid.
- (b) In terms of the Management Services Circular No. 33 dated 05 April 2007, maximum service period of the officers who had recruited for a Project on the contact basis should be 03 years. However, 06 officers in the Project management unite of the "World Food Programme" Project and 15 officers in the Orugodawaththa Stores Complex had been deployed in the service on contract basis over a period of 3 years.
- (c) In the Management Services Circular No. 33 dated 05 April 2007, the posts of the Projects had been categorised and the minimum qualifications of the officers had been stated. However, two Assistant Project Directors who had been recruited to the Project Management Unite of the Project of "World Food Programme" had not the minimum qualifications and service experience as required by the Circular.

#### 4. Head 218 – Department of the Commissioner General of Samurdhi

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##### 4.1 Presentation of Accounts

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Even though the Appropriation Account of Head -218 should be presented to audit by 31 March 2015 by the Department, the account had been presented only on 21 April 2015 after a delay of over 21 days. The Reconciliation Statement on Advance to Public Officers Account- Item No.21801 which should be presented to audit by 30 April 2015 had not been furnished to audit even by 15 June 2015.

##### 4.2 Non- Maintenance of Registers and Books

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It was observed during the audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

<b>Type of Register</b>	<b>Relevant Regulation</b>	<b>Observation</b>
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(i) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978	Not maintained
(ii) Register of Inventory	In terms of Financial Regulations 454(1)	Not maintained
(iii) Register of Stock	In terms of Financial Regulations 751 and 763	Not maintained
(iv) Register of Computer and Computer Accessories	Treasury Circular No. IAI/2002/02 dated 28 November 2002	Not maintained
(v) Register of Motor Vehicles	In terms of Financial Regulations No. 802 and 1647 (e)	Not updated
(vi) Register of Cheques and Money orders	Financial Regulation 451	Not maintained
(vii) Register of Security	Financial Regulation 891(1)	Not maintained
(viii) Register of Electrical Equipment	Financial Regulation 454(2)	Not maintained

- |      |  |   |                |
|------|--|---|----------------|
| (ix) | Register of Attendance of Procurement Committee and Technical Evaluation Committee | Section 2.11.2 of the Government Procurement Guideline    | Not maintained |
| (x)  | Reports of Committee Meetings  | Section 2.11.3(a) of the Government Procurement Guideline | Not maintained |
| (xi) | Register of calling for Bids   | Section 5.2.1 of the Government Procurement Guideline     | Not maintained |

### **4.3 Replies to Audit Queries**

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Replies for two audit queries issued to the Department during the year under review and four audit queries issued during the preceding years had not been furnished even by 31 March 2015. The quantifiable transactions relating to those audit queries amounted to Rs. 46,051,770.

### **4.4 Appropriation Account**

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#### **4.4.1 Budgetary Variances**

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The following observations are made.

- (a) The entire net provision amounting to Rs. 4,800,000 made for 09 Objects had been saved.
- (b) Excess provisions had been made for 06 Objects and as such the savings, after the utilization of provisions, ranged between 10 per cent to 87 per cent of the net provisions relating to the respective Objects.
- (c) The reasons given for the total savings of 15 Objects amounting to Rs. 8,560,000 were inadequate according to paragraph 5 of the State Accounts Circular No. 239/2014 dated 01 December 2014. It had been mentioned that those savings had occurred due to the absorption of the administrative and financial functions of the Department of Commissioner General of Samurdhi to the Department of Divinaguma Development. However, according to the letter of the Deputy Secretary to the Treasury No. BD/RDS331/1/6 dated 21 January 2014, particulars relating to Objects that were expected to be incurred on Capital and Recurrent expenditure, out of the provisions made to the other Institutions which had been absorbed to the Department of Commissioner General of Samurdhi and Department of Divinaguma Development, should be furnished to the Department of National Budget. Nevertheless, action had not been taken accordingly.

#### **4.5 General Deposit Account**

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Action had not been taken in terms of Financial Regulation 571 with respect to deposits totalling Rs. 2,454,220,181 which had exceeded a period of 2 years.

#### **4.6 Good Governance and Accountability**

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##### **4.6.1 Annual Action Plan**

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Even though the Department should prepare an Annual Action Plan in terms of the Public Finance Circular No. 01/2014 dated 17 February 2014, an Action Plan for the year under review had not been prepared even by 31 December 2014.

##### **4.6.2 Annual Procurement Plan**

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The Annual Procurement Plan had been furnished for the approval of the Secretary to the Ministry on 30 December 2014 in terms of the National Budget Circular No. 128 dated 24 March 2006.

##### **4.6.3 Internal Audit**

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An Internal Audit Unit had not been established in the Department in terms of Financial Regulation 133.

##### **4.6.4 Audit and Management Committee**

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Three Audit and Management Committee Meetings had been held in the year 2014.

#### **4.7 Assets Management**

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The following deficiencies were observed during the course of audit test checks of the assets of the Department.

(a) **Conduct of Annual Board of Survey**

According to the Public Finance Circular No. 02/2014 of 17 October 2014, the Board of Survey for the year 2014 should be conducted and reports thereon should be furnished to the Auditor General before 17 March 2015.

Nevertheless, the Department had not furnished those reports even by 31 May 2015. The last Board of Survey had been conducted for the year 2013.

**(b) Assets Given to External Parties**

Instances of certain assets released irregularly to other external parties by the Department were observed. Details appear below.

Category of Assets	Number of Assets	Institutions to which Assets had been given	Value	Period
-----	-----	-----	-----	-----
			Rs.	
(i) Motor Vehicle	01	Ministry of Botanical Gardens and Public Recreation	Not valued	From 17.04.2014
(ii) Motor Vehicles	03	Department of Land Use Policy Planning	-do -	From 31.03.2014
(iii) Motor vehicle	01	Temporarily given to the Ministry of Telecommunication and Information Technology	-do -	-

**(c) Irregular use of the Assets belonging to other Institutions**

Instances where the Department had utilised assets belonging to other Institutions without proper approval were observed during the course of audit test checks. Details appear below.

Category of Assets	Institutions to which the Assets belong to	Number	Value
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			Rs.
Motor Vehicle	Ministry of Urban Development	01	Not Assessed

**(d) Unsettled Liabilities**

The unsettled liabilities of the Department less than one year as at 31 December 2014 amounted to Rs. 5,925,155.

**4.8 Non – compliances**

**Non-compliance with Laws, Rules and Regulations**

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

	Reference to Laws, Rules, Regulations ----- -----	Value ----- Rs.	Non-compliance -----
(a)	Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- -----		
	(i) Section 1.7 of Chapter XII	-	Even though the Leave Register should be maintained in Form General 190 in order to note the leave of officers, leave registers had not been maintained at certain regional offices.
	(ii) Sections 1 and 2 of Chapter XII	-	Officers not attending duties should get their official or personal leave approved by their supervising officer. However, officers had not attended duties without such an approval.
	(iii) Section 3.2 of Chapter XII	-	Entries should be made in the Register of Visits and approved by the supervising officer concerned while leaving the place of duty. However, there were instances where it had not been so done.
	(iv) Sections 4.5 and 4.6 Chapter XXIV	191,402	Action had not been taken according to the regulation to recover the outstanding loan balances of officers who had been interdicted or vacated posts, from their sureties or to obtain directions from the Attorney General.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka ----- -----		
	Financial Regulation 110	-	Register of losses had not been properly maintained.
(c)	Public Administration Circulars ----- -----		
	Circular No.41/90 dated 10 October 1990.		Consumption of fuel by all motor vehicles of the Department had not been examined once in six months.

(d)	National Budget Circular	-----		
	Paragraph 1.1.7 of Circular No. 118 dated 11 October 2004.	346,092 646,682	346,092 646,682	Outstanding loan balances of any officers who had been transferred out and transferred in should be recovered before ending 02 or 03 months of their transfers. However, loan balances totalling Rs.346,092 due from 04 officers who had been transferred and the loan balances totalling Rs.646,682 of 04 officers who had been transferred in had not been settled even by 31 December 2014.
(e)	Samurdhi Allowances Circular	-----		
	Circular No.2013/01 dated 10 January 2013			
	(i) Paragraph 2.1(ii)	5,074,810		A sum of Rs. 10 should be deducted monthly and remitted to the Housing Lottery Fund on or before 20 <sup>th</sup> of following month. However, as per audit test checks the remittances of a Divisional Secretariat had been delayed for more than 2 months.
	(ii) Paragraphs 2.1(iii), (iv) and 5.3	18,160,555		The compulsory savings and money payable to beneficiaries should be credited to the accounts of the beneficiaries every month as a lump sum. However, three Bank Societies had credited the money after a delay of 3 to 14 days.
	(iii) Paragraph 4.2	15,065,190		Even though cheques relating to the Samurdhi subsidies should be remitted to the Samurdhi Bank Societies before 25 <sup>th</sup> of every month, those cheques had been remitted after a delay of 2 to 48 days.



#### **4.9 Transactions of Contentious Nature**

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Certain transactions entered into by the Department had been of contentious nature. Particulars of several such instances observed during the course of test checks appear below.

- (a) According to audit test checks conducted relating to four bank societies, it was observed that even after the death of 7 beneficiaries, a sum of Rs. 63,000 had been credited to their accounts due to the delays in reporting to the Divisional Secretaries by the respective Grama Seva Officers while crediting the money to bank accounts.
  
- (b) A sum of Rs. 326,187 had been credited to an account opened in favour of the respective caretaker of a Home for the Aged who reside in those Homes in order to utilize the money for the requirements of those beneficiaries. Those monies were remained unused for a long time and by that time many beneficiaries had died.

#### **4.10 Irregular Transactions**

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##### **Transactions without Authority**

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Savings if any, due to an unidentification of beneficiaries should be separately remitted to the General Treasury. However, money amounting to Rs. 390,600 had been utilised to write-off bad debts of a bank society without the approval of the Director General of Samurdhi or the Commissioner General of Samurdhi.

#### **4.11 Human Resources Management**

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##### **Approved Cadre and Actual Cadre**

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It had been informed that when establishing the Divinaguma Development Department, the Department of Commissioner General of Sarmudhi and the Institute of Rural Development Research had been incorporated to the Department. Therefore, the organization structure and the cadre had been amalgamated with the Department of Divinaguma by 31 December 2014.

### **5. Head 281- Department of Agrarian Development**

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#### **5.1 Presentation of Accounts**

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Even though the Department should present the following accounts of the Agrarian Centres to audit by 31 March 2015, those accounts had not been presented to audit even by 25 June 2015.

Year	No.of Accounts not presented
-----	-----
2006	27
2007	28
2008	28
2009	47
2010	41
2011	35
2012	57
2013	82
2014	270

## **5.2 Non-maintenance of Registers and Books**

It was observed during audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

<u>Type of Register</u>	<u>Relevant Regulation</u>	<u>Observations</u>
Register of Losses and Damages	Financial Regulation 110	Not updated
Register of Fixed Assets	Financial Regulation 502(2)	Not maintained
Register of Counterfoils	Financial Regulation 341(1)	Not updated

## **5.3 Appropriation Account**

### **5.3.1 Budgetary Variance**

Excess provisions had been made for 08 Objects and as such the savings, after the utilization of provisions, ranged from 10 per cent to 62 per cent of the net provisions relating to the respective Objects.

## **5.4 General Deposit Account**

The following observations are made.

- (a) The balances of General Deposit Accounts No.6000/0000/00/0006/0051/000 and No.6000/0000/00/0015/0136/000 were not reconciled by Rs.651,767 and Rs.489,597 respectively between the Departmental books and the Treasury books. Those difference had not been reconciled and rectified even by 31 December 2014.
- (b) Action in terms of Financial Regulations 571 had not been taken with regard to the deposits amounting to Rs.304,009 and Rs.17,500 existed in the General Deposit Account No.6000/0000/00/0015/0136/000 and

No.6000/0000/00/0002/0010/000 respectively unsettled and remained for more than 2 years as at the end of the year under review.

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

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The following deficiencies were observed at audit test checks carried out in respect of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account bearing Item No. 28101.

- (a) According to the Reconciliation Statement presented to audit, the balances remained outstanding as at that date totalled Rs. 21,464,717. Even though those outstanding balances remained for over a period ranging from 01 year to 05 years, the follow-up action on the recovery of those outstanding loan balances had been at a weak level.
- (b) A difference of Rs.1,482,667 was observed in comparing the total of the summary of the Classification of Individual Balances with the balance of the Control Account. It was further observed that this difference included the difference of Rs.364,515 of the summaries of the individual balances as at 31 December 2007, unidentified debit balance of Rs.1,986,920 and unidentified credit balance of Rs.868,768.
- (c) The total loan balances as at 31 December 2014 of the officers who had retired, interdicted and terminated the service and not taken action in terms of Section 4 of Chapter XXIV of the Establishments Code, amounted to Rs.16,631,406 and it was observed that those balances included the loan balances of Rs.5,960,267 older than 05 years as well.
- (d) Action had not been taken to recover a loan balance of Rs.30,740 recoverable from three elected Members of Pradeshiya Sabhas.
- (e) Loan balances of Rs.486,944 recoverable from Officers of the Agrarian Services who had been absorbed as Provincial Council Officers, had been existing for over a period of 06 years and action had not been taken to settle those balances.
- (f) The loan balances recoverable from officers who had transferred in and out, amounted to Rs.3,415,748 and Rs.20,273 respectively. The loan balances of transferred officers had been existing for over a period of 06 years. The Department had failed to take action in respect of those balances in terms of the National Budget Circular No.118 of 11 October 2004 and settle them even by 31 December 2014.
- (g) An unidentified debtors balance of Rs.374,380 shown in the reconciliation statements of the Advances to Public Officers Account of the years 2007, 2008 and 2009 had been credited to the Government Revenue without identification.

## **5.6 Good Governance and Accountability**

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### **5.6.1 Assets Management**

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The following deficiencies were observed during the course of audit test checks of the assets of the Department.

#### **(a) Idle and Underutilized Assets**

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

- (i) There were 155 official quarters belonging to the Department and it consisted of 51 official quarters which were rented out, 89 dilapidated quarters and 15 quarters which were not rented out.
- (ii) Twelve bulldozers belonging to the three Districts such as Anuradhapura, Hambanthota and Moneragala had remained idle throughout the year without being run. Further, a bulldozer in the Anuradhapura District had been operated during a period less than 5 hours and a bulldozer in the Moneragala District had been operated only during a period less than 72 hours in the year under review.

#### **(b) Conduct of Annual Boards of Survey**

-----

The following observations are made.

- (i) Even though the annual boards of survey reports should be presented to audit in terms of Financial Regulation 757(2), the boards of survey reports of 13 District Offices and the Head Office for the year under review had not been presented to audit even by 25 June 2015.
- (ii) A board of survey report in respect of motor vehicles and bulldozers belonging to the Department had not been presented for the year under review. As such, it could not be ensured that all assets belonging to the Department were physically existed and the accuracy of the statement of losses stated in the Appropriation Account and the report of the movement of the non-current assets.
- (iii) Relevant Code Numbers of the assets had not been indicated in terms of the provisions of the State Accounts Circular No. 174 of 14 October 2004.
- (iv) According to the reports presented by the Transport Division, there were 133 motor vehicles belonging to the Department. Nevertheless, a detailed register had not been maintained in that connection.

- (iv) According to the List of Condemned Tractors and Agro Equipment Proposed for Disposal submitted by the Department, 183 four wheel tractors, 92 trailers, 85 two wheel tractors, 254 numbers of other agro equipment, a motor cycle, a lorry and a cab were included and disposal activities had not been completed even by 15 June 2015.

**(c) Assets given to External Parties**  
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It was observed that one motor vehicle valued at Rs. 8 million had been released irregularly to another institution in the year under review.

**5.7 Non- compliances**  
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**Non-compliances with Laws, Rules and Regulations**  
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The following instances of non-compliance with laws, rules and regulations observed during the course of audit test checks are analyzed below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non- Compliance</b>
-----	-----	-----
	<b>Rs.</b>	
<b>(a) Statutory Provisions</b> -----		
<b>Agrarian Development Act, No. 46 of 18 August 2000</b> -----		
(i)Sections 32 and 33	-	The number of complaints on unauthorized reclamation of paddy fields was 391 and the number of complaints for which filing of cases had been completed was 64.
(ii)Section 43	-	Even though all farmers' societies should be registered, 1,846 farmers' societies had not been registered.

(b) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

- 
- |                                |           |   |   |
|--------------------------------|-----------|---|---|
| (i)Financial Regulation 342(1) |           | - | Instead of keeping the General Receipt Books in safe custody, instances in which they had been stacked in Agrarian Centres in an unprotected manner were observed at the audit test checks.   |
| (ii)Financial Regulation 396   | 3,158,444 |   | Action had not been taken in terms of Financial Regulations in respect of expired cheques in 14 bank accounts of District Offices and the bank account of the Head Office, issued as at 31 December 2014 but not presented for payment. |

(c) **Public Administration Circulars**

- 
- |  |  |   |  |
|--|--|---|--|
| (i)Paragraph 2.11 of Circular No. 41/90 of 10 October 1990 |  | - | Even though the fuel consumption of motor vehicles should be tested once in every 6 months, it had not been so done. |
|--|--|---|--|

(d) **Public Finance Circulars**

- 
- |  |  |  |   |
|--|--|--|---|
| (i)Circular No. 452 of 27 September 2011 |  |  | Even though contracts should be awarded to suitable farmers' societies by a three person committee comprising two representatives nominated by the Head of Department and the Divisional Secretary, the District Offices of Gampaha and Kalutara had taken action contrary to it. |
| - Sub paragraph 3.1                      |  |  |   |
| - Sub paragraph 3.2                      |  |  | It was observed at the audit test check carried out at the Kalutara and Gampaha District  |

Offices that the contracts had been awarded without confirming the financial position of approved farmers' societies, obtaining financial facilities and without details of contracts completed previously in awarding contracts to farmers' societies.

-Sub paragraph 3.5

Necessary action had not been taken to carry out relevant technical supervision in respect of the constructions carried out by the farmers' societies in a high standard.

Circular No.438 of 13 November 2009

Even though action should be taken to dispose of assets of Government Institutions, which could not be utilized, action had not been so taken in respect of motor vehicles, agro equipment, machines and tractors in scrapped condition.

(e) Paragraph 4.4.2 of the Circular of the Commissioner General of Agrarian Development No.04/2012 (Agrarian Banks) of 29 February 2012

Even though capital funds granted to the Agrarian Bank should be repaid within 5 years, the outstanding capital funds not repaid as at 31 December 2014 amounted to Rs. 134,580,855.

## 5.8 Performance

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Observations on the progress of the Department according to the Annual Budget Estimate and the Action Plan for the year 2014 are as follows.

### (a) Key Functions not fulfilled adequately

-----  
It was observed that there were incomplete projects including 12 projects not commenced and 313 projects not completed in 02 districts during the year under review under the Programme of Minor Irrigation and Cultivation of Fallowed Paddy Lands implemented with a view to developing fallowed paddy lands throughout the island, which were not cultivated but suitable for the cultivation of paddy. Details are given below.

District	Projects not commenced	Projects not completed
-----	-----	-----
Matara	11	53
Kegalle	-	03
Puttlam	01	54
Galle	-	17
Kurunegala	-	147
Badulla	-	39

(b) The Department had not fulfilled the following functions in the year under review.

- (i) An arrangement had not been made and implemented for identifying paddy lands and cultivation of other crops in paddy lands identified as lands in which paddy could not be cultivated in terms of Section 29 of the Agrarian Development Act.
- (ii) An arrangement had not been made and implemented for identifying paddy lands and action had not been taken to cultivate more suitable crops in identified paddy lands.

(c) **Planning**

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Instances where action had not been taken according to the Action Plan prepared in terms of the Public Finance Circular No. 01/2014 of 17 February 2014 were observed.

- (i) Even though it had been planned to carry out a census on two wheel and four wheel tractors in districts before 28 February 2014 according to the Action Plan, a census had not been carried out even by the end of the year under review.
- (ii) Even though it had been planned to supervise 250 Agrarian Service Centres per quarter and to obtain 1,000 reports per year, only 393 reports had been obtained in the year under review.
- (iii) According to the Action Plan, the target of the annual acreage tax was Rs. 23,465,186 and the income from acreage tax collected in the year under review amounted to Rs. 16,316,322.
- (iv) As progress reports had not been prepared in the Yield Marketing Division, it could not be confirmed in audit whether the functions planned, according to the Action Plan had been fulfilled.



## 5.9 Deficiencies in the Operation of Bank Accounts

-----  
The following observations are made.

### (a) Long Delays in the preparation of Bank Reconciliation Statements

-----  
Bank reconciliation Statements of the Agrarian services District Office in Hambantota had not been prepared in the year under review.

### (b) Balances for Adjustment

-----  
Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements prepared by the Department of Agrarian Development for December 2014 is given below.

Particulars of Adjustments	Age Analysis			Total
	Over 06 Months less than 01 year	Over 01 Year less than 03 years	Over 03 Years	
-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.
(i) Deposits not realized	420,689	900	-	421,589
(ii) Cheques issued but not presented for payment	3,116,891	37,293	4,260	3,158,444
(iii) Unidentified Debits	6,447	-	63,776	70,223
(iv) Unidentified Credits	208,940	10,000	-	218,940

## 5.10 Uneconomic Transactions

-----  
The following observations are made.

- (a) It was observed that the tractor valued at Rs.208 million and 280 agricultural machinery and equipment granted by the Republic of China in the year under review had been given by the Ministry of Economic Development to the Department and Department had incurred a sum of Rs.6.1 million for it. Such machinery and equipment had not been posted in the Non - current Assets movable record of the Appropriation Account and 210 Agricultural machinery and equipment had not been distributed even by 12 June 2015.
- (b) Gampaha District had been selected to formulate the pioneering project for the preparation of a database for paddy fields. Satellite photographs valued at Rs.3,267,840 had been purchased from a private Institution in the year under

review. One thousand one hundred and ten maps for marking data had been distributed for Agrarian Services Centers based on those Aerial photographs. Number of maps collected in the year under review had been 67. Maps computerized amounted to 20.

### 5.11 Unresolved Audit Paragraphs

Reference to the audit paragraphs relating to the Department included in the Reports of the Auditor General on which follow-up action had not been finalized is given below.

Reference to Report of Auditor General		Subject under reference
<u>Year</u>	<u>Paragraph Number</u>	
2012	2.6(b)	Register of Fixed Assets had not been maintained.

### 5.12 Management Weaknesses

Hundred and seventy Preliminary investigations and 15 investigations in terms of Financial Regulation 104 had been conducted in the year under review and number of formal disciplinary inquiries commenced was 64. Number of formal disciplinary inquiries finalized and disciplinary orders had been issued was only 32.

### 5.13 Human Resource Management

#### (a) Approved Cadre and Actual Cadre

The Cadre position as at 31 December 2014 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i)	Senior Level	107	79	28
(ii)	Tertiary Level	644	466	178
(iii)	Secondary Level	14,371	11,734	2,637
(iv)	Primary Level	425	289	136
	<b>Total</b>	<b>15,547</b>	<b>12,568</b>	<b>2,979</b>

**(b) Release of Human Resources to other Parties**  
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It was observed that 04 Agricultural research and production Assistants and one Agrarian Development Officer had been released to other Ministries in the year under review by the Department.

**6. Head 305 - Department of Upcountry Peasantry Rehabilitation**  
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**6.1 Non-maintenance of Registers and Books**  
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It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register -----	Relevant Regulation -----	Observations -----
(i) Departmental Appropriation (Voted Expenditure) Ledger	Financial Regulation 447	Not updated
(ii) Fixed Assets Register	Treasury Circular No.842 dated 19 December 1978	Not maintained a Register.

**6.2 Appropriation Account**  
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**Losses to be further recovered or written off or waived off**  
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Loss amounting to Rs.583,946 in respect of 02 incidents of the period from 05 to 10 years stated under losses to be further recovered or written off or waived off in the Appropriation Account in the year 2013 had been omitted from the accounts in the year under review.

**6.3 Reconciliation Statement on Advances to Public Officers' Account**  
-----

According to the reconciliation statement presented to audit, Department had failed to recover a balance amounting to Rs.137,1210 continued for over 02 years from an officer who had been interdicted and an outstanding loan balance amounting to Rs.180,197 continued from a period less than 01 year from an officer who had vacated his post.