

Report of the Auditor General on Head 259 –District Secretariat, Matale – Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 259 – District Secretariat, Matale for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the District Secretary on 21 June 2016. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

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

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the District Secretariat amounted to Rs.768.15 million and out of that Rs.622.44 million had been utilized by the end of the year under review. Accordingly, the savings out of total net provision of the District Secretariat amounted to Rs.145.71 million or 18.97 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs. Millions	Rs. Millions	
Recurrent	556.15	552.48	3.67	0.66
Capital	212.00	69.96	142.04	67.00
Total	768.15	622.44	145.71	18.97
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(b) **Utilization of Provisions made available by Other Ministries and Departments**

Provisions totalling Rs.2,652 million had been made available by other 21 Ministries and 17 Departments for various activities and out of that a sum of Rs.1,837 million had been utilized by the end of the year under review. Accordingly provisions totalling Rs.815 million (net) or 31 per cent of the provisions had been saved.

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the District Secretariat under Item No.25901 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
41.75	38.23	32.75	33.55	150.00	126.24

2.3 General Deposit Account

The balance of the 06 Deposit Accounts of the District Secretariat as at 31 December 2015 totalled to Rs.198.80 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0001/0054/000	0.88
6000/0000/00/0002/0072/000	0.71
6000/0000/00/0013/0044/000	64.92
6000/0000/00/0016/0024/000	111.88
6000/0000/00/0017/0005/000	19.53
6000/0000/00/0018/0031/000	0.88
Total	<u>198.80</u>

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statement for the year ended 31 December 2015 of the District Secretariat, Matale had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non – maintenance of Registers and Books

It was observed during audit test checks that 02 Divisional Secretariats under the District Secretariat had not maintained the following registers in the proper and updated manner.

Institution -----	Type of Register -----	Relevant Regulation -----
Divisional Secretariat, Laggala, Pallegama	Leave Register	Section 1.7 of the Chapter XII of the Establishments Code.
Divisional Secretariat,Ukuwela	Register of Widows and Orphans Pensions	Pension Circular No.13/2010

3.2 Replies to Audit Queries

Replies to 02 audit queries issued in the year under review had not been furnished even by 31 July 2016. The value of quantifiable transactions relating to those audit queries amounted to Rs.117,000,000.

3.3 Appropriation Account

3.3.1 Budgetary Variance

The utilization of provisions amounting to Rs.150,000,000 made for one Capital Object had not been properly planned and as such a sum of Rs.9,500,000 only had been utilized. Accordingly, provisions of Rs.140,500,000 had been saved due to non-performing of the respective work from the provisions made.

3.3.2 Provisions made available by Other Ministries and Departments

The audit observations revealed on the utilization of provisions made available by other Ministries and Departments for the District Secretariat are given below.

- (a) One thousand four hundred sixty five items of goods valued at Rs.7,047,508 purchased by 08 Divisional Secretariats from the provisions made available by the Ministry of Economic Development for various projects in the year 2014, had remained idle without being distributed for the beneficiaries even by 31 March 2016.
- (b) Out of the projects implemented in the District Secretariat, Matale and 09 Divisional Secretariats in the year 2014, 377 projects amounting to Rs.552,587,882 had remained as continued projects. Out of those 377 projects, 169 projects had been prioritized for the implementation during the year 2015 and provisions of Rs.138,140,000 had been made. The District Secretariat, Matale and the Divisional Secretariat, Dambulla had not implemented 02 projects totalling Rs.5,824,190. Further, the provisions of Rs.26,595,856 had been saved out of the provisions made available.
- (c) The provisions of Rs.490,000 had been made by the Divisional Secretariat, Vilgamuwa to concrete the road up to Dewagiriya, Kumburupola cemetery concurrently to the 100 Days Programme. The foundation of the first 08 meters of the road had not been made with a proper standard. Therefore, the road had cracked and sunk and as such a sum of Rs.9,212 paid for the leveling of foundation and the amount paid of Rs.51,960 to concrete the respective road section had become fruitless.
- (d) Out of the provisions made available by the Ministry of Housing and Samurdhi, sums of Rs.1,580,000 and Rs.980,000 had been spent by the Divisional Secretariat, Laggala Pallegama to construct Wallewela Sewa Piyesa and Community Hall, Illukkumbara respectively. Even though the windows and doors of those buildings should be constructed by using 1st class timber with a good finishing as per the estimate, it was observed at the physical examination that the immatured timber which could not be identified had been used for the windows and doors.
- (e) The canal of the Palle Aswedduma Batagolla and the anicut had been constructed by the Divisional Secretariat, Ambanganga Korale by spending Rs.463,005. The last section of 32 meters of the canal had been completed using concrete. As the appropriate technology for a canal had not been applied, and the concrete structure for the canal had been constructed at a high level more than the required level and the draining of water was not made properly and as such it was observed that this canal line had been constructed without a proper planning.
- (f) A building had been constructed by the Divisional Secretariat, Dambulla incurring a sum of Rs.1,477,148 under the Palath Neguma Development Proposals for the year 2014 to construct a Rural Child and Maternity Clinic Centre, Inamaluwa on an estimated amount of Rs.1,960,344. However the building could not be utilized even by 31 December 2015 as the windows and doors with all required accessories and other accessories had not been fixed.

3.4 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No.25901 as at 31 December 2015, the balances that remained outstanding as at that date totalled Rs.1,302,681. Even though, those outstanding balances remained over periods ranging from 01 year to 14 years, the follow-up actions on the recovery of those outstanding balances had been at a weak level.

3.5 Good Governance and Accountability

3.5.1 Annual Performance Report

Even though, the Annual Performance Report should be tabled in Parliament within 150 days after closure of the financial year by the District Secretariat in terms of the Public Finance Circular No.402 dated 12 September 2002, the Performance Report had been signed by the Minister only on 14 June 2016.

3.6 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the District Secretariat and 03 Divisional Secretariats.

(a) Idle and Underutilized Assets

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

	Category of Assets	Number of Units	Idle or Underutilized Period
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(i)	Buildings	01	1 ½ years
(ii)	Machinery	02	From 06 months to 1 /1/2 years

(b) Construction of Bathgampola Rice Processing Centre

Construction of the Bathgampola Rice Processing Centre situated in the area of the Wilgamuwa Divisional Secretariat had been commenced in the years 2007, 2008 and a sum of Rs.1,673,219 had been incurred by the year 2010. However that building had not been leased out even by 31 December 2015. It was observed at the physical examination, that the building, threshing floor, water tank constructed for that project and as well as 02 rice production machines had remained idle and faced to a risk of destroying. Further, the machines purchased at Rs.330,000 had been valued at Rs.40,000 and as such a financial loss of Rs.290,000 also had been made. Therefore the entire expenditure incurred for the project had become fruitless.

(c) Non – commencing of Textile Industries Centre

Forty three sewing machines and 11 pairs of scissors valued at Rs.1,456,607 had been purchased on 31 December 2014 to commence a Textile Industry Centre for the Divisional Secretariat, Naula under Palath Neguma Programme. Nevertheless, the Textile Industry Centre had not been commenced even by June 2016.

(d) Assets given to External Parties

The water motor valued at Rs.65,000 utilized for the water project constructed by the Divisional Secretariat, Naula by incurring a sum of Rs.625,338 in the year 2008 had been taken over by the Vice Chairman of the Pradeshiya Sabha and a period of six years had elapsed by the end of the year under review. But no any legal action whatsoever had been taken thereon.

(e) Assets not brought to Accounts

A diesel Generator received from the Government of China as a donation in December 2015 had not been valued and included in the accounts.

3.7 Unsettled Liabilities

The unsettled liabilities of the District Secretariat less than one year old as at 31 December 2015 amounted Rs.895,281.

3.8 Non – compliances

(a) Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(i) Establishments Code of the Democratic Socialist Republic of Sri Lanka <u>Chapter XIX Section 5.4 and 5.4.1</u>	-	As non-submission of any documents such as the details of spouse in housing files, civil status of the officer, it could not be ascertained whether the house rent had been recovered from the spouse.

(ii) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 880 50,000 Security deposits had not been obtained from 05 officers of the Divisional Secretariat, Galewela.

(iii) Circulars of the Director General of Pensions

 Circular No. 03/2013 dated 20 September 2013 17,488 (monthly) The pensions entitled to the orphan children had been credited by the Divisional Secretariat Pallepola to their mother's accounts.

(b) Non-compliance with Tax Requirements

In terms of the Guideline 5.4.12 of the Government Procurement Guidelines, the particulars of the payments of the Value Added Tax should be informed to the Commissioner General of Inland Revenue with copies to the Auditor General on or before the 15 day of the month following. Nevertheless the Value Added Tax details in 6 instances of 2 Divisional Secretariats amounting to Rs.11,377 had not been sent to the Commissioner General of Inland Revenue with copies to the Auditor General.

3.9 Implementation of Projects under Domestic Financing

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

(a) Projects Abandoned without Commencing

The District Secretariat and 03 Divisional Secretariats had not commenced the following projects.

Project	Estimated Cost	Due date for Commencing	Reasons for not Commencing
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Gansarapola Drinking Water Supply Scheme (Rattota)	Rs. 500,000	Year 2014	Problematic position to obtain water from the water sources.
Construction of Culvert and Spill Canal in front of the house of the	600,000	Year 2015	Non-adequacy of the time for commencing.

Mr.M.G.Mudannyake,
Gedigaswalana (Dambulla)

Construction of Kaikolle Road (Pallepola)	600,000	Year 2014	No interest of the Villagers.
Providing a motor to the water supply scheme of Thambilideniya North (Pallepola)	700,000	Year 2014	Non-receiving of provisions.
Improvement of Water Supply Scheme Divulgamuwa (Pallepola)	500,000	Year 2014	Non-receiving of provisions.
Construction of Thalakolayaya Road in the Hapugasyaya in Aluthgama Division (Pallepola)	300,000	Year 2014	Bad weather condition.
Development of Maningamuwa West Pattiyalanda Road (Pallepola)	300,000	Year 2014	Bad weather condition.
Development of the Road up to Godawala Gammada North Junction (Pallepola)	300,000	Year 2014	Bad weather condition.
Construction of the School Building of Bandarapola MahaVidyalaya (District Secretariat)	8,250,000	Year 2015	Carrying out of works not estimated.
Laying gravel and constructing the Road of Thalkote Galhena Siyabalayaya and up to Ehalagalayaya. (Dambulla)	194,690	Year 2014	Problems of the land and changed the office bearers of the Society.
	<u>12,244,690</u>		

(b) Projects Abandoned without Completion

Even though, 03 Divisional Secretariats had commenced following projects, those projects had been abandoned without being completed.

Project	Estimated Cost	Date of Commencement	Expenditure as at 31 December 2015	Reasons for Abandoning
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	Rs.		Rs.	
Construction of Maningamuwa multi-purpose Building (Pallepola)	1,500,000	2014	252,423	Non-receiving of provisions.
Construction of Kentwatte Road (Pallepola)	500,000	2014	66,510	Non-receiving of provisions.
Construction of a playground in Elkaduwa Town (Ukuwela)	6,000,000	2014	2,206,686	Non-receiving of provisions.
Kalalpitiya Hela Bojunhala (Ukuwela)	3,527,900 (receiving provisions 2014/2015)	2014	3,527,900	Non-adequacy of provisions.
Developing Galaudahena and Brandigala area as a Tourist Region. (Ukuwela)	5,000,000	2014	1,311,652	Inordinate delay occurred due to inefficiency.
Construction of Lenadora North Sewa Piyesa (Dambulla)	1,250,000	08.10.2015	218,431	Failure to completion of work at due date as the bad weather condition and approval not given to continue for the year 2015.
Construction of a new building for Nikwatawana Clinic Centre (Dambulla)	1,250,000	02.11.2015	351,625	Bad weather condition.
Deepening of Kayanwelawewa (Dambulla)	1,184,165	30.10.2015	407,841	Termination of work by the Department of Agrarian Services.
Construction of Peraligala Anicut (Dambulla)	946,379	28.10.2015	314,525	Not agreed by the project for the amount due to changes of the office bearers.
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	<u>21,158,444</u>		<u>8,657,953</u>	

(c) Projects without Progress Despite the Release of Money

Instances where no progress had been made on the constructions despite the release of money to the various institutions and Ceylon Electricity Board are given below.

- (i) Even though a sum of Rs.617,824 had been paid by the Divisional Secretariat, Ukuwela to Ceylon Electricity Board for two electrification projects in the year 2014, the respective electric connections had not been provided even by 04 March 2016.
- (ii) A sum of Rs.5,000,000 had been estimated for the commencing of preliminary activities of the park to develop Galaudahena and Brandigala Area as a tourist region in the Divisional Secretariat Division Ukuwela. A sum of Rs.1,311,652 had been paid to the Department of National Botanical Gardens and 04 other institutions for execution of other preliminary works by 31 December 2014. Nevertheless, no designing work whatsoever had been made even by May 2016. It was stated in the reply letter, that the amount given to the Department of National Botanical Gardens for designing work of the park in the year 2014 had been kept in their Deposit Account securely.

3.10 Performance

The observations on the progress of the District Secretariat according to the Annual Budget Estimate and the Action Plan for the year 2015 are given below.

(a) Activities contrary to the Key Functions

Instances of action deviating from the objectives taken by the District Secretariat were observed and several such instances revealed during test checks are given below.

- (i) A cultural centre had been constructed in the Divisional Secretariat Area of Vilgamuwa by spending Rs.8,763,115 under "Palath Neguma Development Programme". But this building had not been constructed as a place suitable to gather public with ventilation and natural light and it was appear to outside as a centre of stores. However, this building had not been utilized even by April 2016.
- (ii) It was approved to construct a cultural centre in a land given on a long term lease basis from the year 2008 to the T.B.Thennakoon Foundation, out of the provisions of Rs.36 million made available by the Ministry of Economic Development in the year 2014 and a sum of Rs.11,786,165 had been incurred by the Divisional Secretariat, Dambulla thereon. No expenditure had been incurred for this project during the year 2015. It was observed at the physical examination, that the initial structure of the building only had been made at present. It was observed in audit, that this had been as an abandoned project and the expected objectives also not achieved due to the reasons such as non-clearance of the land,

non-selection of a suitable contractor and non-execution of the responsibilities of the public officers properly.

- (iii) Even though, the construction of Pussella Textile Industry Centre Project had been implemented in the area of the Divisional Secretariat, Ambanganga korale at Rs.1,960,000, the building could not be utilized for the intended purpose as the project could not be commenced due to non-supplying of respective hand machines equipment even by July 2016.

(b) Key Functions not Executed Adequately

The key functions of the District Secretariat had not been executed adequately and several instances so revealed are given below.

- (i) A proposal for construction of a new Administration Complex for the District Secretariat had been made under an estimate of Rs.550 million in the year 2011. The provisions of Rs.9 million had been made by the year 2013 and the provisions of Rs.150 million from the Annual Budget estimate in the year 2015 had been made. The provisions made in the year 2013 had not been utilized due to the slow condition of this construction and an efficient arrangement was not made available thereon while a sum of Rs.9.5 million out of the provisions made available in the year 2015 only had been incurred.
- (ii) Under the Palath Neguma Programme in the year 2014, the Divisional Secretariat, Ukuwela had purchased 1400 straw hats by spending Rs.910,000 for the programme of “Supply of hats to farmers and estate workers to protect from the hot sun and rain.” Seven hundred hats, valued at Rs.455,000 out of those had not been distributed even by May 2016 and those had been kept in the stores remained decaying as could not be utilized and subject to harms of insects.
- (iii) Under the promotion and publicize of Local Food Programme, a sum of Rs.3,527,900 had been spent in the years 2014 and 2015 to establish a “Hela Bojun” stall in the area of the Divisional Secretariat, Ukuwela with the objective of providing local foods to the public. This building had not been utilized for the intended objective even by March 2016.

(c) Planning

Instances were observed that action not taken in accordance with the Annual Action Plan prepared in terms of the Public Finance Circular No.01/2014 dated 17 February 2014.

- (i) According to the Action Plan for the year 2015, it was planned to implement 8 programmes by the Agriculture Unit. Nevertheless 3 programmes out of that, had

not been implemented and the expected targets of 4 programmes had not been achieved.

- (ii) Even though, the District Secretariat had planned to renovate 22 Government Quarters under maintenance and repairs, only 15 quarters out of that had been renovated in the year 2015.

3.11 Transactions of Contentious Nature

Certain transactions entered into by the 02 Divisional Secretariats had been of contentious nature. Particulars of several such instances revealed during the course of test checks appear below.

- (a) Despite, that the people living in the area had been compensated and evacuated from the lands acquired for the Kaluganga Project in the Divisional Secretariat Division, Laggala Pallegama, a sum of Rs.490,000 had been incurred to construct Pallekumbura main canal and inner porter.
- (b) The well in the Gansarapola, Thennawatta Pokuna had been re-constructed by the Divisional Secretariat, Rattota from the provisions of Rs.500,000 under the 100 Days Programme in the year 2015. But, without re-constructing the road section in the paddy land closed to the well which should be essentially reconstructed, another place with an easy access had been re-constructed.

3.12 Losses and Damage

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

- (a) Action had not been taken to identify the responsible parties and institute a formal action to recover the value of the computer and accessories amounting to Rs.87,994 misplaced in the year 2013, even by June 2016 which kept at the Skills Promotion Unit in the District Secretariat,.
- (b) Action had not been taken either to write off or to recover even by July 2016 in respect of losses amounting to Rs.231,951 relating to 2 incidents occurred in the years 2013 and 2014.

3.13 Uneconomic Transactions

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

- (a) The fertilizer stores constructed in the Government land, Alawaththapitiya by the Divisional Secretariat, Laggala Pallegama by spending Rs.980,000 had not been utilized.

- (b) The construction of a playground under an estimate of Rs.4,199,570 in the Elkaduwa Town in the Divisional Secretariat Division, Ukuwela had been commenced. Even though a sum of Rs.2,206,686 had been spent thereon in the year 2014, no expenditure whatsoever had been incurred in the year 2015, and the constructions had been abandoned by the end of the year under review. The insurance cover of the contractor also had been released even by 09 June 2015.
- (c) Additional Provisions of Rs.15,000,000 and Rs.1,000,000 had been made available in the year 2014 for the Lihinipitiya Water Supply Scheme constructed by spending Rs.625,338 in the year 2008 and for the Opalgala Water Supply Scheme constructed in the year 2012 by spending Rs.980,000 to provide drinking water facilities to the rural public by the Divisional Secretariat, Naula respectively. As the project works had not been completed by utilizing those provisions, the Lihinipitiya Water Supply Scheme and Opalgala Water Supply Scheme could not be utilized for beneficiaries throughout a period of 08 years and 04 years respectively.
- (d) As the earth slip of the Ritigahaela in the Bodhikotuwa Grama Niladhari Division of the Divisional Secretariat, Rattota occurred in the year 2011, the water pipeline constructed to supply water to paddy fields by spending Rs.4,497,338 by 02 December 2011 had remained idle even by December 2015. Similarly, the water pipe line laid had been destroyed and could not be utilized. Therefore, the objective expected from the project had not been achieved.
- (e) Old “Evidence hut” building situated in front of the Matale Municipal Council in the area of the Divisional Secretariat, Matale had been leased out to the Municipal Council on an annual lease license from the year 1980. The total arrears of lease rental recoverable in respect of the years 1997 and 1998 had been Rs.180,000 by 31 December 2015. These lease rentals had not been recovered even by June 2016.

3.14 Management Weaknesses

Even though, a period ranging from 06 years to 32 years had been delayed in acquisition of lands for Government development activities in the Divisional Secretariats, Matale, Laggala, Galewela, Pallepola, Naula, Rattota, Dambulla and Ukuwela, in 25 instances, the acquisition process had not been completed.

3.15 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	52	45	07
(ii) Tertiary Level	29	18	11
(iii) Secondary Level	1,099	1,084	15
(iv) Primary Level	113	109	04
Total	<u>1,293</u>	<u>1,256</u>	<u>37</u>