

Report of the Auditor General on Head 260 - District Secretariat Nuwara Eliya –Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, reconciliation statements, books, registers and other records of the Head 260 – of the District Secretariat, Nuwara Eliya 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 06 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.485.3 million and a sum of Rs.459.16 million out of that had been utilized by the end of the year under review. Accordingly, a sum of Rs.26.14 million or 5 per cent of the net provision had been saved. 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	435.30	423.76	11.54	2.65
Capital	50.00	35.40	14.60	29.20
Total	485.30	459.16	26.14	5.39

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

Twenty Ministries and 19 Departments had made available provisions totalling Rs.2,254.71 million comprising Rs. 1,940.85 million and Rs.313.86 million respectively for various activities. Out of that, provisions totalling Rs.1,820.03 million comprising Rs.1,603.32 million and Rs.216.71 million respectively had been utilized. Accordingly, the savings out of the provisions made, totalled Rs.434.68 million comprising Rs.337.53 million and Rs.97.15 million respectively.

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by the Parliament for the Advances to Public Officers Account bearing Item No.26001 relating to the District Secretariat and the actual values 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
29.00	24.37	19.00	26.04	92.00	69.33

2.3 Imprest Account

The balance of the Imprest Account No.7002/000/00/0307/0015/000 of the District Secretariat as at 31 December 2015 amounted to Rs.223.4 million.

2.4 General Deposit Accounts

The balances of the 05 General Deposit Accounts of the District Secretariat as at 31 December 2015 totalled Rs.263.86 million. Details are given below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0001/0047/000	11.16
6000/0000/00/0002/0063/000	0.09
6000/0000/00/0016/0016/000	166.47
6000/0000/00/0017/0003/000	57.74
6000/0000/00/0018/0019/000	28.40
	263.86

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements of the District Secretariat for the year ended 31 December 2015, 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 important observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers, Books and Records

The Register of Fixed Assets that should be maintained in terms of the Treasury Circular No.842 of 19 December 1978 had not been maintained in an updated manner even by 31 December 2015.

3.2 Replies to Audit Queries

Replies to 22 audit queries issued in the year under review to the District Secretariat had not been presented even by 31 March 2016 and the value of quantifiable transactions relating to those audit queries amounted to Rs.319.28 million.

3.3 Appropriation Account

3.3.1 Budgetary Variance

Liabilities totalling Rs.3,345,384 had been entered into exceeding the net provisions made for 4 Objects contrary to the Financial Regulation 94(1).

3.3.2 Provision made available by other Ministries, Departments and Offices

The following observations are made in that connection.

- (a) The following deficiencies were revealed in the projects implemented by using the provisions made available by various Ministries to the District Secretariat.

	Ministry by which provisions were made	Project implemented	Deficiencies revealed
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(i)	Ministry of Sports	Construction of the Pavilion of the Madeniya Maha Vidyalaya. Provision – Rs.975,409	(i) Even though angle iron of 50x50x5mm should be used for the roof, without doing so, iron of 38x38x5 mm had been used and a sum of Rs.31,500 had been spent thereon.

			(ii) Plinth plastering not done but a sum of Rs.5,578 had been paid thereon.
			(iii) Even though the ramp and drains were not plastered, a sum of Rs.38,371 had been paid thereon.
			(iv) Outside drains had not been plastered.
			(v) An overpayment of Rs.17,147 had been made for Gable rafters.
(ii)	Ministry of Sports	Development of the playground of the Nishshankamalla Vidyalaya – Provisions Rs.1,764,000	(i) An overpayment of Rs.29,909 had been made by mentioning a length of 48 meters instead of about 42 meters of road constructed. (ii) A concrete drain constructed around the playground by spending a sum of Rs.610,500 had not been covered according to the estimate. (iii) Even though a sum of Rs.191,775 had been spent for constructing the road, it could not be used to run motor vehicles due to deeply slopes.
(iii)	Ministry of Sports	Provisions of Rs.983,944 had been made for the construction of the stadium of the playground of the Koththallena Vidyalaya.	(i) Even though the floor had been constructed by spending Rs.57,359, the floor had cracked due to failure in fixing expansion joints.

			(ii) Even though a sum of Rs.70,426 had been paid for laying 62x62x6 mm of angle iron on the roof, 50x50x5mm of angle iron had been laid.
(iv)	Ministry of Sports	Provisions of Rs.1,959,425 had been made for the development of the playground and construction of the stadium of the Lakshapana Madya Maha Vidyalaya, Ambagamuwa.	<p>(i) Even though the floor had been constructed by spending Rs.71,625, the floor had cracked due to failure in fixing expansion joints.</p> <p>(ii) Even though a sum of Rs.94,222 had been paid for laying 62x62x6 mm of angle iron according to the estimate for the roof, 50x50x5 mm angle iron had been laid.</p> <p>(iii) Even though a sum of Rs.687,168 had been spent for constructing the metal stone wall using stones of 6"x9" in size, rubble larger than 6"x9" had been used thereon.</p>
(v)	Ministry of Sports	Work of development of the playground of the Victoria National School. Contractual amount Rs.2,993,738	<p>(i) Even though work should be completed by 31 December 2015, only 1.4 per cent out of the value of works had been completed by that date.</p> <p>(ii) Even though concrete drains should be constructed around the 400 m running track, a 200 m running track had been constructed without the approval of the Engineer, a drainage system</p>

			was under construction around it.
(vi)	Ministry of Sports	Construction of the playground of the Hanguranketha Diyathilaka Madya Maha Vidyalaya- Contractual amount Rs.3,795,750	<p>Even though constructions should be completed by 20 December 2015, they had not been completed even by 29 February 2016.</p> <p>A sum of Rs.695,890 had been paid for 20 meters without testing the strength of concrete in laboratories.</p> <p>Covers of concrete posts erected around the playground had been of substandard and a number of concrete covers had broken by 29 February 2016.</p>
(vii)	Ministry of Housing and Samurdhi	Construction of a fence around the General Cemetery of Wimalasurendragama, Ambagamuwa - Provisions Rs.490,000	Even though the fence had been constructed using concrete posts and barbed wire of substandard, the estimated sum of Rs.309,869 had been paid thereon.
(viii)	Ministry of Housing and Samurdhi	Development of the 20'x30' building of the Muskeliya St. Joseph Tamil School, Maskeliya - Provisions Rs.990,000	<p>(i) Even though 62x62x6mm angle iron should be used for iron truss and purlin for the roof, 40x40x5mm angle iron had been used thereon. As such, the works could not be executed as estimated and a sum of Rs.197,651 had been paid by deducting 50 per cent of the estimated value.</p> <p>(ii) The shape of the roof was not sufficient for an asbestos roof and even though ridging of close fitting type had not been used according to the estimate, a sum of Rs.11,055 had been paid thereon.</p>

- (iii) Even though the improperly finished door which was fixed, had cracked, a sum of Rs.28,758 had been paid thereon.
- (iv) Even though the ramp and drains of 32.5 m in length had been constructed around the building and a sum of Rs.85,443 had been spent thereon, it had not been constructed around the building completely.
- (ix) Ministry of Housing and Samurdhi Four projects of which constructions had not been commenced even by 15 November 2015 and supervised by the Ambagamuwa Pradeshiya Sabha - Provisions Rs.2,783,331 Advances of Rs.494,000 had been paid based on the inaccurate reports submitted by the Technical Officer mentioning that work had been commenced.
- (x) -Do- Works of the development of Pathana Community Hall - Contractual amount Rs.490,000
- (i) Even though the relevant work should have been completed on 05 November 2015, it had not been completed even by 24 November 2015.
- (ii) Even though iron purlin and truss should be used according to the estimate, sapwood (young layers) had been used instead.
- (iii) Substandard Cement blocks had been used and a sum of Rs.105,040 had been spent thereon.

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| (xi) | Ministry of Housing and Samurdhi | Works of the development of the Kleverton part of road in the area of authority of the Ambagamuwa Pradeshiya Sabha -
Contractual amount
Rs.1,654,546 | <ul style="list-style-type: none"> (i) Several places of the road had cracked. (ii)The thickness of concrete in certain places was not up to standard. |
| (xii) | Ministry of Housing and Samurdhi | Water Supply Project to the middle part of the Hope Estate, Hanguranketha
Project cost Rs.198,000 | <ul style="list-style-type: none"> (i) Even though pipes of type 1000 should be used for a Government Project in using PVC pipes, pipes of type 600 which are non-resistant to the pressure of water had been used and spent a sum of Rs.178,200 thereon. |
| (xiii) | Ministry of Housing and Samurdhi | construction Projects of 03 roads in the Divisional Secretariat Division of Hanguranketha –
Estimated cost Rs.1,666,000 | <ul style="list-style-type: none"> (i) Instead of using aggregates of 19 mm, Aggregates of 25 mm and 37 mm had been used for construction of 03 roads. (ii) There had been no Log Entry furnished, mentioning whether the standard of construction had been inspected by Technical Officers or the Assistant Director. |
| (xiv) | Ministry of Housing and Samurdhi | Works of interlocking the road in the centre of the village of Kurunduwatta in the Divisional Secretariat of Hanguranketha -
Expenditure Rs.490,000 | <p>The standard of aggregates used by 06 November 2015 had not been referred to the laboratory for testing. The standard of constructions had not been up to the expected level due to the strength of aggregates which were obtained and tested during the course of audit, on 09 November 2015, had been only 10.6N/mm².</p> |

(xv)	Ministry of Housing and Samurdhi	Laying interlock paving stones for 03 roads of the Divisional Secretariat Division of Hanguranketha Expenditure Rs.1,960,000	Payments had been made before assuring the standard of interlock paving stones by the laboratory test report.
(xvi)	Ministry of Housing and Samurdhi	Two construction works of a protective fence for water storing tanks of the Hanguranketha Community Water Project- Expenditure Rs.690,404	<ul style="list-style-type: none"> (i) Barbed wire of substandard had been used and a sum of Rs.485,851 had been spent thereon. (ii) Even though 04 wires of 6mm should be used for wire posts, only one wire had been used. (iii) Even though a sum of Rs.6,000 had been paid for the name board, the name board had not been erected.
(xvii)	Ministry of Housing and Samurdhi	Construction Work of the Hanguranketha, Ambewela multifunctional building - Estimated value Rs.980,000	<ul style="list-style-type: none"> (i) Even though the roof of the building constructed had been of substandard, a sum of Rs.195,720 had been paid thereon. (ii) Even though the door should be made of Jak timber, battened doors had been made by using other timber. (iii) Door locks of low quality and hinges of 3 inches had been used instead of hinges of 4 inches and a sum of Rs.65,897 had been spent thereon.
(xviii)	Ministry of Housing and Samurdhi	Development of Dehigasthenna, Ambathalawa (Mallika) Community Hall implemented by the Ambagamuwa Divisional Secretariat - Contract Value Rs.490,000	(i) Doors and door frames of the building had been made of unseasoned timber and as such, their joints had parted by 05 May 2016.

(xix) Ministry of Housing and Repair of Kandapola
Samurdhi Parkwatta Vidyalaya Project
implemented by the Nuwara
Eliya Divisional Secretariat -
Contractual value
Rs.490,000

(ii) Even though 04 flush paneled doors should be made of C1 01 timber, 02 Battle doors had been made and a sum of Rs.107,250 had been paid thereon.

(iii) The building had been covered with nets not strong enough and a sum of Rs.44,486 had been paid thereon.

(iv) Even though a sum of Rs.90,000 had been spent for the construction of a toilet, its door had been fixed without the door frame.

(v) Even though the ramp at the back had cracked, a sum of Rs.22,382 had been paid thereon.

(i) Even though agreements had been signed on 26 May 2015, before that, the contract had been commenced on 15 March 2015.

(ii) Even though a sum of Rs.165,123 had been spent for the construction of the ramp, it had cracked due to failure in watering after the plastering.

(iii) Sums of Rs.53,667 and Rs.48,165 had been paid for inner and outer painting respectively and its finishing had been extremely weak.

- (xx) Ministry of Housing and Construction of the Nanuoya multifunctional building executed by the Nuwara Eliya Divisional Secretariat - Estimated cost Rs.1,250,000
- Concreting the floor, plastering, fixing windows and doors and supply of electricity had not been carried out according to the estimate. Even though a sum of Rs.870,124 had been paid thereon, that building could not be used.
- (xxi) Ministry of Housing and Construction of the building for Unifield Maternal and Child Health Clinic in the Nuwara Eliya Divisional Secretariat- Estimated value Rs.980,000
- (i) Even though a number of asbestos sheets used for the roof had cracked, a sum of Rs.61,465 had been paid thereon.
- (ii) Joists of 2"x2" which should be used between 2 ceiling sheets, had not been used on that scale and iron nails had been used instead of screw nails. A sum of Rs.49,089 had been paid thereon.
- (iii) Even though a sum of Rs.129,180 should be paid for tiling the floor with the matt type tiles according to the estimate, gloss finish tiles had been used therefor.
- (iv) The roof had been completed by welding 02 C purlins instead of Gable rafters and as such, there was no quality.
- (v) Cement blocks without SLS Standard had been used by spending Rs. 116,817 and as such, walls had cracked in certain places.
- (vi) Even though hooks should be fixed for gutters with a gap of 9"x9", hooks had

been fixed with a gap of about 24” and a sum of Rs.23,981 had been paid thereon.

(vii) Only 2 electric plugs had existed in the electric meter installed and even though the trip switch had not been fixed in the main switchboard, a sum of Rs.9,287 had been paid thereon.

(xxii) Ministry of Housing and Development of
Samurdhi Bhathiyapura Community
Hall Project executed by the
Nuwara Eliya Divisional
Secretariat -
Estimated cost Rs.980,000

(i) According to the estimate, joists of 2”x2” that should be used for ceilings had not been used with the relevant gap.

(ii) Putty had been applied instead of beadings which should be used between ceiling sheets.

(iii) Even though tiles of matt type should be laid for the floor, gloss finish tiles had been laid therefor.

(iv) The ramp had cracked due to failure in watering after plastering.

(xxiii) State Ministry of Children’s Affairs
Construction of the Day
Care Centre.
Contractual amount –
2014 – Rs.6,933,977
2015 – Rs.7,967,090

(i) According to the agreement entered into with the contractor in the year 2014, construction should be completed within 75 days. However, that period had been extended up to 15 March 2015 by another 90 days. Even though the extended period as well had elapsed, the value of the

work done of the constructions amounted to Rs.3,165,381.

(ii) Even though the liquidated damage per day should be 1/2000 out of the contract value according to the contract agreements, agreements had been entered into for that as 1/4000 per week. As such, agreements had been entered into for the liquidated damage per day understating by Rs.3,698.

(iii) Even though the ramp at the back had cracked, a sum of Rs.22,382 had been paid thereon.

(xxiv)	Ministry of Social Empowerment and Welfare	Execution of 691 projects by 03 programmes under the programmes such as Project of uplifting 15,000 villages, Dorin Dorata Gamin Gamata Programme and Development of Rural Community Health Services Centres.- Provisions Rs.499.7 million	Only 555 projects had been completed at the end of the year under review. Five projects in the Hangu ranketha zone had not been commenced and the progress of 20 projects had been a level less than 25 per cent.
(xxv)	Ministry of Hill Country New Villages, Infrastructure and Community Development	Execution of 225 projects- Provisions Rs.101.45 million	Only 198 projects had been completed. The financial progress thereof had been 81 per cent. Further, the progress of 23 projects had been less than 50 per cent.
(xxvi)	Ministry of Tourism and Sports	Development activities of playgrounds- Provisions Rs.122 millions	Out of the provisions granted, a sum of Rs.76.77 million or 63 per cent had been spent by the end of the year. Even though it had been expected to complete the constructions of 120 playgrounds out of those

provisions, only constructions of 94 playgrounds had been completed. Out of the contracts valued at Rs.21.24 million awarded for completion of 04 playgrounds in the Walapane Division, supervised by the District Secretariat, only works with 2.7 per cent financial value had been completed.

(xxvii) Disaster Management Centre Implementation of 09 projects- Provision Rs.7.88 million

Out of the provisions granted, only a sum of Rs.3.14 million or 40 per cent had been utilized. According to the project report prepared in the year 2014 for the reconstruction of Dickoya canal, provisions of Rs.5.91 million had been granted. However, the entire provisions made thereon had been returned by the Letter No.NE/25/DMC/44 of 10 June 2015 stating that the project is not successful without demolishing the unauthorized constructions. No follow-up action whatsoever had been carried out afterwards in this connection.

(xxviii) Department of Agriculture Seed Potato Production Promotion Programme - Provision Rs.16 million

Even though provisions of Rs.16 million had been granted on 24 February 2015 for the implementation of that programme in the year 2015, provisions of Rs.12.35 million had been returned to the Department of Agriculture on 24 June 2015 by stating that it was not a responsibility of the District Secretariat to take action in that connection.

(xxix)	Ministry of Home Affairs	Completion of 363 continuous projects in the year 2014- Provisions Rs.156.06 million	Provisions of Rs.223.51 million had been required for the completion of 363 continuous projects in the year 2014. However, the Ministry of Home Affairs had granted provisions of Rs.156.06 million thereon in the year 2015. Only a sum of Rs.70.97 million had been spent for the projects completed by 31 December 2015. As such, 313 projects for which provisions of Rs.152.54 million is further required, could not be completed.
(xxx)	Ministry of Economic Development	The amount spent for 13 incomplete projects by the year 2015, had been Rs.8.47 million.	The Ministry of Economic Development had implemented 2759 projects in the Nuwara Eliya District in the year 2014 and no benefits whatsoever could be gained from those projects by the public due to failure in continuing 313 projects to the year 2015 or completing them. Even though a sum of Rs.8.46 million had been spent for such 13 projects subjected to audit test check, the amount spent had become fruitless due to incompleteness of those projects.
(xxxi)	Ministry of Home Affairs	Settlement of liabilities - Rs.260.15 million	The Ministry of Home Affairs had granted funds to settle bills amounting to Rs.260.15 million in hand, payable as at 31 December 2014 for projects implemented by the District Secretariat and the Divisional Secretariats. However, only bills amounting to Rs.209.89 million of the bills in hand as at 31 December 2015 had been settled. As such, a sum of Rs.50.26 million had been in excess due to obtaining money without bills in hand.

- (b) Provisions of Rs.123.75 million had been released to the Walapane Divisional Secretariat on 15 May 2015 for the implementation of 151 projects approved on 02 April 2015 under the Programme of Uplifting Villages – 2015 implemented concurrently with the 100 Day Special Development Programme of the Government. Even though provisions of Rs.500,000 had been received for one project out of them, that project had not been implemented. The physical progress of 16 projects as at 31 December 2015 had ranged from 26 per cent to 50 per cent and it was observed that the physical progress of another 05 projects had ranged from 51 per cent to 75 per cent by that date.
- (c) Even though the Department of Pensions had made provisions of Rs.208.62 million in the year under review, only a sum of Rs.130.67 million of that had been utilized. As such, the provisions of Rs.77.95 million or 37 per cent granted had not been utilized even by the end of the year. Even though it had been requested by the Letter No. P/S/H/17 of 02 December 2015 of the Director of Pensions to retain the expected provisions and transfer the balance, action had not been taken to return those provisions even by the end of the year.

3.4 Imprest Accounts

The following observations are made.

- (a) Advances had been paid to an external contractor in the year 2012. Action had not been taken to recover a sum of Rs.1.08 million out of those advances even by 16 April 2016. As such, the District Secretary had given opportunity to external parties to retain Government money with them.
- (b) According to the Treasury books, the unsettled Imprest balance as at 31 December 2015 had been Rs.223.40 million. Out of that balance, a total sum of Rs.221.71 million comprising a sum of Rs.211.26 million on 12 January 2016 and a sum of Rs.10.44 million on 23 February 2016 had been settled to the Treasury. The further unsettled balance of Rs.619,955 had not been settled even by 15 April 2016.
- (c) The ad hoc sub-impressts totalling Rs.62,000 issued in 04 instances by the District Secretariat, Divisional Secretariats in Walapane and Kothmale, had not been settled. The ad hoc sub-impressts totalling Rs.390,250 issued in 25 instances had been settled after delays ranging from 04 days to 09 months from the completion of the purpose.

3.5 General Deposit Account

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken in connection with 242 deposits totalling Rs.8,461,531 (except land deposits) older than 02 years.

- (b) A difference totalling Rs.3,911,150 had existed between the balance of the General Deposit Account shown in the account and the General Deposit balance of the Appropriation Accounts prepared and submitted by each Divisional Secretariat.
- (c) Provisions made available by other Ministries and Departments for various activities in 18 instances totalling Rs.1,436,365 had been retained in the General Deposit Account without executing the intended activities.

3.6 Reconciliation Statement on Advances to Public Officers Account

The following deficiencies were observed at the audit test check carried out in respect of the Reconciliation Statement of the Advances to Public Officers Account, Item No. 26001 as at 31 December 2015.

- (a) According to the Reconciliation Statement, the total outstanding balances as at that date amounted to Rs.1,033,996. Even though those outstanding balances existed for a period ranging from 06 months to 09 years, the follow up action on the recovery of those outstanding balances were in a weak position.
- (b) Distress loan amounting to Rs.316,700 had been granted to an officer contrary to the Public Administrative Circular No.30/2008 of 31 December 2008 and the National Budget Circular No.1/2014 of 01 January 2014.
- (b) A difference of Rs.27,414 had existed between the Reconciliation Statement on advances and the individual balances in the Walapane Divisional Secretariat.

3.7 Assets Management

The following deficiencies were observed at the audit test check carried out in respect of assets in the District Secretariat.

(a) Idle or Underutilized Assets

The following observations are made.

- (i) It was observed at audit test checks that certain assets categorized as follows had remained idle or underutilized.

Category of Assets	Number of Units	Period of Lying Idle or Underutilized
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		Years
Motor Vehicles	29	02
Other Assets	01	01

- (ii) The old conference hall building of the Ambagamuwa Divisional Secretariat had been sealed on 09 January 2015 on the Orders of the Department of Elections and that building had remained idle from that date even up to 16 February 2016.
- (iii) Even though a period of over 14 months had elapsed by 27 April 2016 after purchasing 64 items of goods valued at Rs.6,372,291 of the Ambagamuwa Divisional Secretariat, those goods had been retained in the stores without being distributed.
- (iv) Even though a period of over 14 months had elapsed by 29 March 2016 after purchasing 23 items of goods valued at Rs.3,152,347 of 2 Divisional Secretariats, those goods had been retained in the stores without being distributed.
- (v) Twenty six sewing machines valued at Rs.292,500 and 21 spray machines valued at Rs.675,974 purchased in the year 2014 under the Special Projects(Livelihood Development) of a Divisional Secretariat had not been distributed to the relevant beneficiaries even by 28 April 2016.
- (vi) Twenty roofing sheets given for distribution among low income families under the decentralized proposals and another 60 roofing sheets had remained idle in the Kothmale Divisional Secretariat.
- (vii) Capital assets valued at Rs.5,147,079 acquired by the District Secretariat and Divisional Secretariats from administrative expenditure of the provisions of the other Ministries, had not been shown in the non-current assets mobility report of the Appropriation Account.

(b) Irregular use of Assets belonging to other Institutions

It was observed during the course of audit test checks that the District Secretariat had used certain assets belonging to other institutions without formal approval.

Category of Assets	Assets owned by	Value	Period
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		Rs.million	
Lands	Mahaweli Development Authority	-	25 years
Motor Vehicles	Ministry of Agriculture	02	12 years

3.8 Unsettled Liabilities

The unsettled liabilities of the District Secretariat as at 31 December 2015 existing from a period less than 1 year amounted to Rs.3,345,384.

3.9 Non-compliances

Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 115(3)(a)	2,423,913	The District Secretariat and the Nuwara Eliya Divisional Secretariat had settled the liabilities relating to the preceding year in 07 instances without obtaining the approval of the Secretary to the Ministry.
(ii) Financial Regulation 137	5,971,165	The District Secretariat and the 3 Divisional Secretariats had made payments in 37 instances without certifying the expenditure.
(iii) Financial Regulation 139(1)	122,776,236	Payments had been made without certifying the payment vouchers by the relevant authorities, valued at Rs.122,776,236 spent by the Nuwara

			Eliya District Office of the Department of Divineguma Development.
(iv) Financial Regulation	257	68,572,519	Payments had been made without certifying the vouchers of the Department of Divineguma Development.
(v) Financial Regulation	262(2)	3,851,418	Even though vouchers paid by the District Secretariat and the Nuwara Eliya District Office and their supporting documents should be stamped with the "PAID", those vouchers had not been so stamped.
(vi) Financial Regulation	262(3)	16,491,155	Paid vouchers of the Nuwara Eliya District Office of the Divineguma Development Department had not been initialed.
(b) Public Finance Circulars			

The Circular No.PT/437 of 18 September 2009		-	Revenue Licenses had not been obtained for motor vehicles of two Divisional Secretariats and insurance covers as well had not been obtained for motor vehicles.
(c) Other Circular Letters			

(i) Letter dated 10 April 2015 of the Secretary to the State Ministry of Children's Affairs		776,940	Even though nutrition stamp ("Poshana Malla") each valued at Rs.2,000 should be given for pregnant mothers, Nutrition stamps with a value less than that, had been given in 3 Divisional Secretariats and as such, nutrition stamps undervalued by Rs.776,940 had been distributed.
(ii) Letter No.PL/7/3/යනුරු පැදි of 24 April 2015 of the Additional Secretary to the Ministry of Public Administration, Local Government and Democratic Governance		584,760	Even though three officers had obtained two motor bicycles each as a Government employee and a Member of Pradeshiya Sabha granted by the Government, action had not been taken to recover the value of 3 motor bicycles or to take legal or disciplinary action in that connection.

3.10 Implementation of Projects by Domestic Financing

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

(a) Projects Abandoned without Commencing

The District Secretariat had not commenced the following projects.

Project	Estimated Cost	Reasons for not commencing (Briefly)
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	Rs.	
(i) Construction of the parapet of the <i>Peeli Hathara</i> canal	635,115	Protest of the residents of the area.
(ii) Construction of the parapet of the by-road to MR city from Samanalagama	-	Recommendation of the National Building Research Organization (NBRO) by carrying out a spot test that the above project was unsuitable.
(iii) Construction of the Bogaspitiya bridge, Idamalanda,	665,000	The relevant contractual society had been blacklisted as the contractor had not completed the work during the accounting year.
(iv) Development of the remaining part of the Pallepitiya Road up to the bridge.	503,064	-do-
(v) Pallehawela Krushi Road which joins the paddy field below the Bodhiela	627,356	-do-
(vi) Development of the Udatenne Madurawewatte Road – 11	300,785	-do-
(vii) Laying concrete for the Maligatenna Colony Road -11	657,538	-do-
(viii) Development of the road from the dam of the tank up to Ma Ela by constructing parapets.	751,909	-do-

(ix)	Development of the Meda Gammedda Krushi Road	1,250,719	This project had been completed by the Pradeshiya Sabha.
(x)	Development of the road from the Katayapathana Udagama Community Hall up to the Katayapathana school.	1,230,884	This project had been completed by the Pradeshiya Sabha.
(xi)	Construction of the Marigold New Community Hall	1,259,101	Non-receipt of the Quality Report of the National Building Research Organization.
(xii)	Development of the Bomallagoda Nabokka Road	Not estimated	Inadequacy of provisions
(xiii)	Development of the Bangala Colony Ihala Krushi Road Hospital Road	861,231	This project had been completed by the Pradeshiya Sabha.
(xiv)	Development of the undeveloped parts of the Rukwood Road from Mul Oya Junction	1,275,002	The relevant contractual society had been blacklisted as the contractor had not completed the work during the accounting year.
(xv)	Development of the road leading to the Hopewatte Housing Scheme (Upper Part No.09)	628,923	-do-
(xvi)	Development of the road leading to Periya Rahanwatte	600,000	The project had not been commenced by the contractual society.
(xvii)	Development of the Kovil staircase of the Bambarakelle Factory part	400,000	The project had not been commenced by the contractual society.
(xviii)	Construction of the Jayalanka Drainage System	1,000,000	The project had not been commenced by the contractual society.
(xix)	Development of the Ildon Hall Watte road	1,000,000	The project had not been commenced by the contractual society.
(xx)	Development of the Kande Ela road	1,000,000	The project had not been commenced by the contractual society.
(xxi)	Development of the Samagi Mawatha Second Phase	1,000,000	The project had not been commenced by the contractual society.

(b) Projects Abandoned without Completion

Even though the District Secretariat had commenced the following projects, those projects had been abandoned without being completed.

Project	Estimated Cost	Date of Commencement	Expenditure by 31 December 2015	Reasons for Abandoning
-----	-----	-----	-----	-----
	Rs.		Rs.	
(i) Construction of the road from Robgillwatte up to Tinsin	625,000	-	98,000	Proposal to construct the entire road by the Road Development Authority.
(ii) Laying concrete for the Yaddala-Thebuwa Road	625,000	-	98,000	As a part of this belongs to the Yatiyanthota Divisional Secretariat construction of only the starting point and making payments thereon.
(iii) Construction of the Yaddala-Thebuwa Road	1,250,000	-	218,920	-do-
(iv) 506 E Madumana Road from Etamba Oya up to Madumana	500,000	08.09.2015		Non-execution of the project due to land disputes.
(v) 506 E Madumana Road from Dehikotuwa up to Werallaketiya	500,000	08.09.2015		-do-
(vi) Construction of the culvert on the 524 D Dabbare Katamillagoda Road	500,000	10.10.2015		Unfavourable weather and difficulty in obtaining materials.
(vii) Development of the 504 E Kurundu Oya Darley Valley Kovil Road	100,000	29.11.2015		-do-
(viii) 518 Access Road of the Udamadura Vidyalaya (Gama Neguma	300,000	-		This access road is used in the development of the playground of this school by the Ministry of Sports and in

Special)

using machinery for the activities of that project. As such, inability to commence the activities of the project until the activities of the playground are completed and non-completion of the constructions of the playground during the year.

(c) **Delays in the execution of Projects**

Delays in the execution of the following Projects by the District Secretariat were observed.

Project	Estimated Cost	Date of Commencement	Due Date of Completion	Date of Completion	Expenditure by 31 December 2015	Reasons for Delay
-----	-----	-----	-----	-----	-----	-----
	Rs.				Rs.	
(i) Bandaranaikapura Drinking Water Project	700,000	23.12.2015	31.12.2015	23.01.2016	54,081	Delay of the society in charge of the contract
(ii) Upcut, the road from Mr.Saman's house up to the village	148,499	17.05.2015	14.08.2015	05.12.2015	142,261	Unfavourable weather
(iii) The road from Upcut up to public water tank	148,565	13.05.2015	13.08.2015	20.12.2015	142,565	-do-
(iv) The stairs from the Kalyani Bakery of Maskeliya up to DMD	148,505	05.05.2015	05.08.2015	03.09.2015	142,505	-do-
(v) The stairs from Moori Stores of Maskeliya up to the DMD	148,457	05.05.2015	05.08.2015	23.09.2015	142,457	-do-

(vi)	Constructions of the Dhamma School building of the Puwakmal Pidugoda Vihara of Panamgammana	1,000,000	21.07.2015	04.09.2015	-	400,000	Non-completion of the project by the contractor
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(d) Projects without Progress despite the release of Money

Details of projects of which the expected objectives could not be achieved are given below.

- (i) The essential activities relating to the works of developing the playground of the Poramadulla Madya Maha Vidyalaya amounting to a contractual sum of Rs.8,483,842 implemented by the Nuwara Eliya District Secretariat on the provisions of the Ministry of Tourism and Sports had not been entered in the awarding Agreement and the District Engineer had given instructions thereon from time to time. The detailed designs relating to the construction of the roof of the stadium had been granted to the contractor 03 months after the commencement of the works. The access staircase had been constructed in a manner exposing it to rain and the roof had been constructed at a high level and as such, the steps for watching as well had been in a position of exposure to rain. The building had been designed without toilet facilities or a changing room for the players and the standard of laying concrete for the building had been at a weak level. An overpayment of Rs.48,728 had been made to the contractor as well.
- (ii) In executing the works of developing the Adhikarigama Public Playground amounting to a contractual sum of Rs.1,786,400 implemented under the provisions of the Ministry of Sports, the metal stones which had surfaced in the middle of the playground had not been removed. Moreover, the drainage system had not been constructed round the playground as well and as such, there was a risk of soil being washed away.
- (iii) It had been estimated to construct the walls up to about 03 feet in height, of the building relating to the Project of Development of the Common Facilities of the Galpalama Dhamma School, implemented by the Nuwara Eliya Divisional Secretariat. It had been difficult to use that building due to the prevailing windy weather and the rainy season. As such, the building had remained underutilized even by 13 May 2016. Six inch walls had been used instead of 9” brick walls and instead of the engineering brick, bricks larger to that in size which are not approved for Government buildings had been used. The walls had been completed less by 2.29m³ than the amount paid and a sum of Rs.65,732 had been paid for the construction which was not up to the estimated standard. Even though the beams had not been completed by applying putty, a sum of Rs.97,574 had been paid thereon.
- (iv) It had been estimated to lay 75.6 m³ of concrete for the road of the Project of Construction of the First Lane of the Rathnagiriya Settlement implemented by the

Nuwara Eliya Divisional Secretariat. Only 41.76 m³ or 55 per cent of concrete had been laid for the road. Even though it had been estimated to construct walls of both sides by cutting the road and filling with soil, the road had been cut with a deep slope. Even though it had been concreted, it was in an inconvenient condition even for a three wheeler to travel by. The soil of the road which had been filled, had been washed away due to non-construction of walls on both sides of the road.

- (v) The constructions of the Project on Providing Water to the Upper Part of Watagoda implemented by the Nuwara Eliya Divisional Secretariat had been completed on 31 December 2015 and paid a sum of Rs.772,553. However, the pipe lines taking water from the water tank to the lower part, had been laid in an unprotected manner on the surface of the earth. It was observed that the water provided to the people had not been in a clean state due to constructing this water tank by diverting a natural canal and about 80 per cent of the canal water had been dried up by 26 April 2016. Accordingly, the expected objective of this project had not been fulfilled due to failure in using this tank during the drought.

(e) Instances where Projects had been improperly implemented

The following observations are made.

- (i) A sum of Rs.7,519,693 had been spent to construct the official quarters of the Accountant of the Kotmale Divisional Secretariat from the year 2013 up to the year 2015. Constructions had not been completed in a manner suitable for residing even by 18 February 2016. The construction of the access road and the wire cover round the buildings had been at a weak level. Even though 154m³ of soil had been removed for constructing the parapet, 317.69m³ of soil had been transported to a distance of 10 km from the site and an additional payment of Rs.98,801 had been made. Even though the maximum variance of the contract which could be approved by the Procurement Entity in terms of Guideline 8.13.4 of the Government Procurement Guidelines should be 10 per cent, the additional works had been executed without the approval of the Secretary to the Ministry exceeding the estimated limit of constructions of the year 2015 by 13 per cent.
- (ii) The constructions of the official quarters of the Kotmale Divisional Secretary had been carried out from the year 2013 up to the year 2015 and works valued at Rs.10,835,938 had been executed during 3 years. Constructions had not been completed in a manner suitable for residing even by 18 February 2016. The road at the back of the building and the finishing of the wire covers round the building had been at a weak level and a sum of Rs. 179,730 had been paid in the year 2014 to concrete and plaster the floor with lime. A sum of Rs.283,614 had been paid for laying a part of it with tiles in the year 2015 and as such, the Government had suffered a financial loss. Even though it had been estimated to remove 51.44m³ of soil for constructing the parapet, a sum of Rs.202,952 had been paid considering that 305.13m³ of soil had been removed. Even though the maximum variance of the contract which could be approved by the Procurement Entity should be 10 per cent, the additional works had been executed without the approval of the Secretary to the Ministry exceeding the estimated limit of constructions by 22 per cent.

- (iii) Even though the construction works of the playground of the Sirimavo Bandaranaike Vidyalaya of Hanguranketha to the contractual amount of Rs.3,538,350 should be completed before 20 December 2015, it had not been completed even by 29 February 2016. Even though payments of Rs.570,000 had been made by 31 December 2015 for the constructions of the drainage system, the works of the first phase were being carried out even by 29 February 2016. Even though the wire cover fixed round the stadium had not been complied with the conditions of the estimate, a sum of Rs.585,000 had been paid thereon. An area between 15-20 feet in width of the stadium had remained idle as the access road has to be constructed with an inclination.
- (iv) Even though a sum of Rs.6,703,665 had been paid on 31 December 2015 stating that the works of completing the remaining work of the upper floor of the Ambagamuwa Divisional Secretariat building had been completed, 02 Items of Work amounting to Rs.331,534 had not been executed even by 16 February 2016. Overpayments of Rs.347,700 and Rs.349,393 had been made under Items of Work Nos.04 and 13 respectively and a sum of Rs.528,179 had been paid for 08 additional Items of Work without proper approval. Even though this work should be completed by 28 December 2015, evidence was not made available to audit that the period had been extended. As such, liquidated damages amounting to Rs.172,215 recoverable by 16 February 2016 the least, had been deprived of to the Government. The building had not been handed over to the Divisional Secretary by completing constructions by the contractor even by 25 May 2016.

3.11 Transactions of Contentious Nature

Certain transactions entered into by the Nuwara Eliya District Secretariat had been of contentious nature. Particulars of several such instances observed during the course of test checks are given below.

- (a) Pensions amounting to Rs.218,119 of the Walapone Divisional Secretariat relating to the years 2013 and 2015 had been retained in the Deposit Account without paying the relevant pensioners.
- (b) A loss in operations had existed for several years in 03 out of 07 Divi Neguma Community Based Banks/ Bank Societies belonging to the Kotmale Divisional Secretariat. Bad debts amounting to Rs.4,730,683 and non-reimbursement of a sum of Rs.22,712,997 out of the sum given per Rs.2,500 to each Samurdhi beneficiary for the improvement of the living condition of the Samurdhi beneficiaries had been the main reason therefor.

3.12 Irregular Transactions

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

(a) Deviation from Government Procurement Procedure

The following observations are made in this connection.

- (i) Fifteen procurement decisions amounting to Rs.76,906,691 had been taken by deploying a person of the Procurement Entity as the third member without deploying a member outside the Procurement Entity for large contracts in terms of Guideline 2.7.5 of the Government Procurement Guidelines.
- (ii) Despite not having covered by Guideline 3.3 of the Government Procurement Guidelines, procurement decisions had been taken by inviting limited bids of Rs.67,822,675.
- (iii) Even though procurement activities should be carried out by inviting national competitive bids out of provisions amounting to Rs.13,750,000 made for 05 Capital Items of Expenditure according to the Procurement Plan of 2015, procurement activities had been carried out by using the shopping method.
- (iv) Procurement activities which should be commenced in March according to the Procurement Plan, had been commenced with a delay, even by July 2015.
- (v) Three projects had been implemented instead of 05 projects approved by the Procurement Plan. As such, out of those 3 projects amounting to Rs.20.6 million, only works amounting to Rs.2.6 million had been completed as at 31 December 2015.
- (vi) Purchases totalling Rs. 4,051,317 had been made by the Walapone Divisional Secretariat during the year without any transparency whatsoever in matters such as calling for limited quotations, obtaining quotations by hand, accepting bids submitted after the date of opening bids, awarding procurements without adequate bids and awarding procurements based on the bids submitted by different names of the same institution, deviating from Guidelines 1.2 and 3.3 of the Government Procurement Guidelines.

3.13 Losses and Damage

Observations on losses and damage revealed at the audit test checks are as follows.

- (a) Even though it had been estimated to get down 367m³ of soil to the ground from outside in the works of development of the Unantenne Public Playground to an agreed amount of Rs.2,010,000 implemented on the provisions of the Ministry of Sports, a sum of Rs.843,360 had been paid stating that all soil (1204.8m³) used for the ground had been provided from outside. As such, payments had been made exceeding the value mentioned in the estimate by Rs.586,400.
- (b) Liquidated damages amounting to Rs.114,410 had not been recovered from the contractor in terms of the Agreement in respect of a contract of constructing a Day Care Centre.

- (c) Payments of Rs.940,800 had been made by using bricks unapproved for Government buildings instead of using Government approved engineering bricks in the contract of constructing the Day Care Centre.
- (d) Even though the playground of the Alokabedda Maha Vidyalaya had been developed under the provisions of Rs.1,000,000 of the Ministry of Tourism and Sports in the year 2015 and payments of Rs.980,000 made, the wall had collapsed on 25 December 2015. Action had not been taken in terms of Financial Regulation 104 to ascertain the extent of the damage in this connection and to take disciplinary action against the responsible officers or to recover the loss.

3.14 Unresolved Audit Paragraphs

Reference for paragraphs which had not been rectified by the District Secretariat in respect of deficiencies pointed out by audit paragraphs included in the Auditor General's Reports relating to the District Secretariat is as follows.

Reference to Report of Auditor General		Subject under reference
<u>Year</u>	<u>Paragraph Number</u>	-----
2012	1.8 (a) VII	Irregular transactions
2013	1.7 (a) I,II	Assets Management
2013	1.7 (c)	Assets Management
2013	1.8 (a) V,II	Non-compliances
	1.14 ,III	Management Weaknesses
2014	3.8	Assets Management
	3.9	Non-compliances
	3.11	Irregular transactions
	3.14	Management Weaknesses

3.15 Management Weaknesses

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

- (a) Out of the sum of Rs.72,948,000 remitted to the post offices from January to December of the year 2015 for payment of Senior Citizenship Allowances, a sum of Rs.3,340,000 had been returned without making payments by 2 Divisional Secretariats. The accurate identification of the recipients of this allowance and follow up activities had been at a weak level.
- (b) Even though housing subsidy payments should be completed within a year from the occurrence of the disaster according to the N.D.R.S.C. Guidelines No.01/2013 of 18 July 2013 of the Ministry of Disaster Management, subsidies amounting to Rs.15,319,955 had

not been given even by November 2015 for 138 houses which had been affected by disasters in the years 2014 and 2015 in 03 Divisional Secretariat Divisions.

- (c) Shares and deposits valued at Rs.5,320,984 of the Community Based Banks of Ginigathena, Hatton and Vidulipura had remained idle.
- (d) One hundred and sixteen Deeds received to a Divisional Secretariat since the year 1982 had been retained without taking action to grant or cancel them.
- (e) Even though the provisions for Bad Debts in terms of Sub-paragraph 3.7 of the Instructions issued as the second collection to the Samurdhi Bank Societies Operations Instructions No.4 issued on 10 October 1997 should be recovered later on from the debtors, a sum of Rs.5,649,885 had not been recovered from 03 Divisional Secretariat Divisions by 31 December 2015.
- (f) Even though the acquisition of lands should be carried out within a period of 72 weeks in terms of Letter No.4/3/1/201/48 of 24 May 2012 of the Secretary to the Ministry of Lands and Lands Development, a sum of Rs.13,679,810 deposited for the acquisition of lands during the period from the year 2006 up to March 2014 had not been used for the relevant purposes. There was a risk of paying a high interest in the payment of delayed compensations.
- (g) Balance of Mihijaya Loan at Concessionary Rates amounting to Rs.3,388,885 and balance of Pubudu Loans amounting to Rs.3,100,718 recoverable as at 30 September 2015 under 07 Community Based Banks of a Divisional Secretariat Division had not been recovered.
- (h) Even though Diriya Matha Accounts should be opened and the objectives and targets achieved in terms of Bank Society Instructions Circular Letter No.24 issued by the Banking and Financial Division of the Samurdhi Authority of Sri Lanka, a sum of Rs. 451,166 in Diriya Matha Accounts commenced since the year 2007 of the Kotmale Divisional Secretariat Division had remained idle.
- (i) Shares and deposits of the members of Samurdhi Banks of the Kotmale Divisional Secretariat Division amounting to Rs.5,963,432 had remained idle.
- (j) A sum of Rs.432,575 credited to the accounts of the Samurdhi beneficiaries for Livelihood Projects of the Divi Neguma Finance Bank of the Kotmale Divisional Secretariat Division had remained idle due to non-implementation of those projects.
- (k) Shares and deposits valued at Rs.27,319,427 of Community Based Banks belonging to the Hanguranketha Divisional Secretariat Division had remained idle.

- (l) An overpayment of Rs.19,055 had been made in laying concrete for the Park Bandaranaike by- road implemented by the Nuwara Eliya Divisional Secretariat. Even though one sample was up to standard, the other sample was sub- standard according to the Laboratory Report. However, the sum of Rs.196,000 retained, had been released on 30 March 2016 according to a recommendation given by the Technical Officer.
- (m) The cement blocks used in the construction of the building of the Jinedrarama Dhamma School of Kandapola East implemented by the Nuwara Eliya Divisional Secretariat had been of sub-standard and the finishing touches of the walls had been at a very weak level as well. A sum of Rs.248,157 had been paid thereon. The third floor of the building had been constructed by the Divisional Secretariat and if a third floor is built, there should be adequate columns in the second floor. However, strong columns connecting the third floor with the second floor had not been available. The wooden roof completed with quadruplet roof had been shown as a couple roof in measurements and as such, measurements could not be made. Even though BSR rates are available for timber used for a roof according to R043, R044, R045 of BSR rates, SSR rates had been prepared by the Technical Officer and made payments of Rs.382,867.

3.16 Human Resource 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	Excess
(i) Senior Level	33	25	9	1
(ii) Tertiary Level	16	9	7	-
(iii) Secondary Level	845	740	108	3
(iv) Primary Level	82	75	10	3
Total	976	849	134	7