

Report of the Auditor General on Head 261 – District Secretariat, Galle – Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 261 – District Secretariat, Galle 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 22 July 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 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, 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 Galle, amounted to Rs.1,120.30 million and out of that Rs.1,084.99 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the District Secretariat, Galle amounted to Rs.35.31 million or 3.15 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	1,042.30	1,037.71	4.59	0.44
Capital	78.00	47.28	30.72	39.38
Total	<u>1,120.30</u>	<u>1,084.99</u>	<u>35.31</u>	<u>3.15</u>

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

Provisions totalling Rs.4,022 million had been made available by other 32 Ministries and 18 Departments for various activities and out of that a sum of Rs.3,699 million had been utilized by the end of the year under review. Accordingly provisions totalling Rs.323 million or Rs.8.03 per cent had been saved.

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, Galle under Item No. 26101 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
65.72	64.80	55.72	60.65	225.00	204.99

2.3 Imprest Account

The balance of the imprest account of the District Secretariat, Galle as at 31 December 2015 under Account No 7002/0000/00/0308/0014/000 amounted to Rs.0.19 million.

2.4 General Deposit Accounts

The balances of the 05 Deposit Accounts under the District Secretariat, Galle as at 31 December 2015 totalled Rs.422.30 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0002/0094/000	0.05
6000/0000/00/0013/0062/000	22.40
6000/0000/00/0014/0009/000	0.00
6000/0000/00/0016/0045/000	328.51
6000/0000/00/0017/0015/000	71.34
Total	<u>422.30</u>

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the District Secretariat, Galle 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 Books and Records

The District Secretariat, Galle had not updated the Register of Fixed Assets in terms of Treasury Circular No. 842 dated 19 December 1978 while the Register of Fixed Assets on Computers, Accessories and Software had not been maintained, in terms of the Treasury Circular No, IAI/2002/02 dated 28 November 2002.

3.2 Appropriation Account

3.2.1 Liabilities Incurred Exceeding the Provisions

The liabilities incurred by the District Secretariat, Galle as at 31 December 2015 had exceeded the savings after the utilization of provisions made for 2 Objects by a sum of Rs.190,243.

3.2.2 Provisions made available by other Ministries and Departments

The following deficiencies were observed during the audit test check carried out on the utilization of provisions made available by other Ministries and Departments for the District Secretariat, Galle.

(a) Disaster Management Centre

Provisions of Rs.3,000,000 had been granted to Divisional Secretariat, Gonapinuwala for the construction work of a culvert and a retaining wall of the Meetiyagoda, Manampitiya Road. Even though the value of the work had exceeded the limit of the Regional Procurement Committee, the work had been split into three parts and awarded the contract to 2 Community Based Societies and implemented, without obtaining a proper approval thereon. A period of one year more than the due date had been spent to complete the work.

(b) Department of Divineguma Development

The following deficiencies were revealed at the audit test check carried out relating to the utilization of provisions made available by the Department of Divineguma Development for the District Secretariat.

- (i) Under the Motor Bicycle Loan Programme granted to the Public Representatives of the Local Authorities, a sum of Rs. 425,712 (with interest) had remained outstanding as at 31 July 2016, out of the loans granted to 14 members by the District Divineguma Office, Galle.
- (ii) A Director and a Deputy Director who were employed in the Sri Lanka Southern Development Authority had been attached to the District Divineguma Office, Galle. Formal appointment letters had not been given to them. Despite that, salaries and allowances totalling Rs.1,905,365 had been paid to those officers for the period from 01 July 2014 to 31 December 2015.

(c) Ministry of Agriculture

The following deficiencies were revealed during the audit test checks carried out on utilization of provisions made available by the Ministry of Agriculture for the Fruit Villages Development Project.

- (i) One thousand “Durian” plants had been distributed to the 58 beneficiaries under the project with a commercial objective focused on Divisional Secretariat, Yakkalamulla. About 55 per cent of plants, out of the plants so distributed had destroyed.
- (ii) A sum of Rs.992,490 had been spent for the project by the end of the year 2015 for the distribution of 100,000 bud pineapple plants for 155 beneficiaries focused on Divisional Secretariat, Habaraduwa under the above project. Seven Thousand bud pineapple plants given to one GramaNiladhari Division had totally destroyed.

(d) Ministry of Economic Development

A part of the provisions made available by the Ministry of Economic Development for the District Secretariat in the year 2014 had been utilized during the year 2015. The following deficiencies were revealed at the audit test check carried out relating to those utilizations.

- (i) Even though over one year had elapsed after spending a sum of Rs.1,363,328 to the contractor as mobilization advance for the Batapola District Hospital Development Project on 22 December 2014, a sum of Rs.60,929 as consultancy fees on 09 December 2014 and a sum of Rs.16,250 as Procurement and

Technical Evaluation Committees allowances on 19 December 2014, the work of the project had not been commenced even by 31 July 2016 while the action also had not been taken to recover the advances paid.

- (ii) Sums of Rs.1,253,676, Rs.56,019 and Rs.16,250 had been spent as Mobilization Advance to the Contractor, Consultancy fees and allowances for Procurement and Technical Evaluation Committee for the Project of Reconstruction of Ambalangoda, Khatapitiya Playground on 29 December 2014, 09 December 2014 and 19 December 2014 respectively. The agreement period of this project had elapsed by 31 July 2016. Even though a period over one year had spent since the payments made, the work of the project had not been completed even 20 per cent.
- (iii) The contract for the construction of Thawalama Conference Hall the estimated value of which amounting to Rs.20 Million had been awarded. Despite that, ownership of the land which proposed for the construction was not cleared and the contractor had not accessed to the work site, a sum of Rs.3,526,800 had been paid as accessed advance on 31 December 2014. This Project had to be abandoned due to non-obtaining the clearance of the ownership of the land while the advance had been recovered on 07 December 2015. However it was allowed to retain Government Funds with an external party for a period nearly one year.

3.3 Imprest Account

Even though an imprest balance of Rs.194,086 remained since the year 2006 in the District Secretariat, Galle, it was not settled even by 30 April 2016.

3.4 General Deposit Account

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on 236 deposit balances older than 2 years totalling Rs.124.91 Million.
- (b) A sum of Rs.526,326 received in the year 2009 for the land acquisition process in respect of the Magalle Water Supply Project proposed to be implemented by the National Water Supply and Drainage Board had been retained in the General Deposit Account without being utilized for the intended purpose.

3.5 Reconciliation Statement of the Advances to Public Officers Account

During the audit test check carried out on the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account, Item No 26101, it was observed that the outstanding balances remained as at that date totalled Rs.3.65 million and an outstanding balance of Rs.1.76 million out of that had not been settled even by 31 July 2016.

3.6 **Assets Management**

The following deficiencies were observed during the course of audit test checks of the assets of the District Secretariat, Galle.

Idle and Under-utilized Assets

The following observations are made.

- (a) Five Divisional Secretaries quarters and one Assistant Divisional Secretary quarters belonging to 06 Divisional Secretariats had remained under-utilized for a period ranging from 02 years to 16 years.
- (b) A set of Conference Video Technological Equipment valued at Rs.1.40 million purchased for the Distance Education Programme of the District Secretariat, Galle had remained idle for over a period of 2 years.

3.7 **Non-compliances**

Non-compliance with Laws, Rules and Regulations

In terms of the Section 23(2) of the Firearms Ordinance and the Circular No. MOD/CS/3F/2/2013 dated 18 September 2013 of the Ministry of Defence and Urban Development, 96 Fire arms licence holders had not renewed the licences by 30 June 2016 while outstanding licence fees as at that date amounted to Rs.161,300.

3.8 **Implementation of Projects under Domestic Financing**

Instances of projects abandoned without completing and weaknesses in execution of projects revealed during the course of audit test checks are given below.

(a) **Projects Abandoned without Completing**

The project for constructing and concreting a road from Tea Shakthi Road to the residence of a person the estimated value of which amounting to Rs.450,000 commenced on 01 December 2014 by the Divisional Secretariat, Thawalama had been abandoned after incurring a sum of Rs.77,669 in the year under review.

(b) **Payments made for sub- standard Works**

Even though two items of work relating to 02 projects of 02 Divisional Secretariats had not been executed according to the instructions stated in the estimates, a sum of Rs.160,253 had been paid thereon.

(c) **Weaknesses in the Execution of Projects**

The observations on weaknesses in the execution of projects revealed during the course of audit test checks are given below.

- (i) Without ensuring the financial viability and the experience of the contractual society in terms of the Guideline 3.9.1 of the Government Procurement Guidelines, the contract of the project for constructing drains and the concreting of the Badahelahena Road under an estimated value amounting to Rs.490,000 had been awarded to the said Society by the Divisional Secretariat, Niyagama. A sum of Rs.24,838 had been paid on the estimated rate without any deductions for a section of 5.79 meters in length which leveled and laid concrete without a proper standard under work Item No 05.
- (ii) Under the work Item No.06 of the project for concreting the Mahaarambawatta Road implemented by the Divisional Secretariat, Niyagama, the Road had been concreted using a concrete mixture without a proper standard and as such the concrete layer of 50 meters in length had become as a releasing position. A sum of Rs.208,303 had been paid at estimated rates for 14.81 cubic meters of concrete for that section. As per the estimate, the thickness of the concrete layer of this Road should be 0.125 meters. Nevertheless the thickness of the concrete layer for 91.3 meters in length of the road section had ranged from 0.115 meters to 0.120 meters. Accordingly, the standard and the durability of the road section had remained at a weak position.
- (iii) Under the work Item No.06 of the Project for concreting the Wellagulana, Kanda Road implemented by the Divisional Secretariat, Neluwa, the concrete layer layed on 45 feet length of the Road by using the concrete mixture without approved standard had remained dilapidating condition by emerging metal even 06 months before after completion of the work. Despite that, a sum of Rs.58,792 had been paid for 4.18 cubic meters of concrete according to the estimated rate without being making any deduction.
- (iv) At the examination carried out on the project for concreting the Neluwa, Samagi Mawatha Road implemented by the Divisional Secretariat, Neluwa it was observed that, the holes had shown in some places of both sides of the layer of the concrete edge while the surface of the layer had not been pressed and levelled, according to the standard. Despite that, a sum of Rs.588,000 had been paid to the contractual society without making any deduction.

3.9 Irregular Transactions

In the selection of the contractual society for the project for concreting the Wellagulana Kanda Road in the Divisional Secretariat, Neluwa, the savings account furnished by the society to confirm the financial viability of the society had been opened on 20 October 2015, and the balance as at that date amounted to Rs.1,500. Despite that, the details of the financial transactions of the said society had not been furnished before handing over the contract, an agreement of Rs.490,000 had been entered into with that farmer society on 07 October 2015 and the contract had been awarded.

3.10 Losses and Damage

The observations relating to the losses and damage revealed during audit test checks are given below.

- (a) The loss incurred amounting to Rs.213,370 due to the damage caused to the electric lift, installed in the Divisional Secretariat Building, Galle on 15 September 2014 had not been recorded in the books.
- (b) In selecting a service institute for the cleaning service of the Divisional Secretariat, Karadeniya it was not considered the minimum salary of an employee and other conditions and had not been given a reasonable opportunity for the quotations and as such a financial loss of Rs.124,560 had been incurred by the Government due to rejecting the institution which submitted the lowest quotation.
- (c) A sum of Rs.121,883 should be recovered from the pensions paid up to February 2015 from 30 May 2010, the date of the pensioner died who was employed in the Divisional Secretariat, Hikkaduwa before retirement. These pensions had been paid without obtaining the live certificate after the year 2010.
- (d) In purchasing 400 Plastic Chairs without stands to distribute among the beneficiaries by the Divisional Secretariat, Nagoda a loss of Rs.102,800 had been incurred by the Government due to rejecting the lowest quotation.
- (e) Despite that, about one year had elapsed from leaving the of service of 2 Female Development Officers who were employed in the Divisional Secretariat, Neluwa, action had not been taken to recover the value of the motor bicycles given to them totalling Rs.277,000.
- (f) Even though number of years had elapsed since the cheque fraud amounting to Rs.815,650 made by an Officer of the Divisional Secretariat, Karadeniya, the recovery of that loss had remained further delaying.
- (g) The following observations are made in connection with the accidents caused to the vehicles of the Divisional Secretariats under the District Secretariat.

- (i) Even though losses incurred due to accidents caused to 2 vehicles belonging to the 2 Divisional Secretariats totalled Rs.137,336, actions to be taken on those losses in terms of the Financial Regulations had been delayed.
- (ii) Even though more than 05 years had elapsed since the court decision received relating to the accident caused to a vehicle belonging to the Divisional Secretariat, Ambalangoda, a sum of Rs.130,618 recoverable from the second accused had not been recovered even by the end of the year under review.

3.11 Unresolved Audit Paragraphs

Reference to audit paragraphs relating to the District Secretariat included in the Reports of the Auditor General on which deficiencies pointed out had not been rectified is given below.

Reference to Report of Auditor General		Subject under Reference
Year	Paragraph Number	
2014	3.3	The quarters of the Administrative Officer belonging to the Divisional Secretariat had been occupied by an external party for over 05 years period, while the rent of the quarters amounting to Rs.148,800 had also not been recovered.
2014	3.1 (a) (ii)	The mobilization advances amounting to Rs.139,333,203 granted to Sri Lanka Engineering Corporation for 27 projects for roads carpeting in the years 2011 and 2013 had not been settled even by 31 December 2015.

3.12 Management Weaknesses

The following management weaknesses were revealed during the course of audit test checks relating to the Divisional Secretariats.

(a) Divisional Secretariat, Niyagama

The following observations are made.

- (i) Even though over 02 years had elapsed since the commencement of the land acquisition process to the Government for the land of 4 perches for the construction of the Water Pumping Station No.01 of the Pitigala Water Supply Scheme, action had not been taken to acquire the land and implement the project.

- (ii) Even though 02 years had elapsed since the Commencement of the land acquisition process of Diamon Kanda Suddallawa Mookalana land 32 acres and 26 perches in extent under the Extension of Villages Programme, it was failed to implement that programme due to inefficiencies of respective parties and deficiencies in co-ordination.
- (iii) Even though 16 years had elapsed since the acquisition of the land No.01 of Miriswathumookalana 05 acres and 09 perches in extent for the Extension of Villages Programme, no any project whatsoever had been implemented under that programme.

(b) Divisional Secretariat, Karadeniya

The land of 2.127 hectares in extent on which it was proposed to construct T.D.Samaraweera playground had been shown as 0.285 hectares in extent in the interim order 38 (a) of the Land Acquisition Act, and as such further action of the land acquisition to the Government had been holted for a period of 08 years.

(c) Divisional Secretariat, Bentota

A sum of Rs.25,000 received for the acquisition of the part of the Muddangoda Mannanawatta land had been invested in a Fixed Deposit Account from 15 July 1994 without utilizing for the intended purposes.

(d) Divisional Secretariat, Neluwa

Even though it was published that the land had been acquired on 09 May 2014 for the construction of 9/5 bridge of the Thawalama, Neluwa, Batuwangala Road, further actions had not been taken even by February 2016.

(e) Divisional Secretariat, Hikkaduwa

The following observations are made.

- (i) The acquisition process of the Madaramulla Kumburuovita Land in extent of 0.1709 hectares in extent for the Ministry of Local Government and Provincial Councils in respect of the construction of Dodanduwa Common Market had been commenced and acquired the land in the year 1999, but the payment of compensation thereon had been holted. A sum of Rs.500,000 received for the payment of compensation had been retained in the General Deposit Account and it was observed that a considerable interest amount has to be paid thereon due to delaying the payment of compensation.

- (ii) The lands of Modera Patuwatha Pimburudeniya Land 0.243 hectares in extent and Udumulla Maddumagewatta land 0.3501 hectares in extent acquired in the years 1995 and 2000 respectively by the Ministry of Fisheries and Aquatic Resources with the purpose of Implementation of Fisheries Housing Scheme had not been utilized for any development work according to the intended objectives.

(f) Divisional Secretariat, Yakkalamulla

A sum of Rs.978,000 had been paid to a contractor for the work of concreting the Karagoda Jambughashena Road and Yatamalagala Phalawatta Road under Palath Neguma Programme 2014. According to the report of the District Engineer dated 31 August 2015, the project had failed due to compressible strength of 2 roads was at a low value rather than approved limit, but no action whatsoever had been taken thereon.

3.13 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	Excess Cadre
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(i)	Senior Level	65	58	07	-
(ii)	Tertiary Level	44	22	24	02
(iii)	Secondary Level	1,771	1,740	59	28
(iv)	Primary Level	175	175	04	04
	Total	<u>2,055</u>	<u>1,995</u>	<u>94</u>	<u>34</u>

The following observations are made.

- (a) Vacancies in 01, 17, 45 and 04 posts had existed as at 30 June 2016 in the Senior Level, Tertiary Level, Secondary Level and Primary Level respectively. Formal action had not been taken to fill those vacancies.
- (b) Excess staff in 02, 28 and 04 posts had shown as at 30 June 2016 in Tertiary Level, Secondary Level and Primary Level respectively, but a formal approval had not been received for the excess cadre.