

Report of the Auditor General on Head 262 – District Secretariat, Matara– Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 262 – District Secretariat, Matara 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 26 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 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, Matara amounted to Rs.1,074.35 million and out of that Rs.1,000.93 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 amounted to Rs.73.42 million or 6.83 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	991.54	929.72	61.82	6.23
Capital	82.81	71.21	11.60	14.01
Total	<u>1,074.35</u>	<u>1,000.93</u>	<u>73.42</u>	<u>6.83</u>

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

Provisions totalling Rs.3,883.24 million had been made available by other 35 Ministries and 17 Departments for various activities and out of that a sum of Rs.3,084.62 million had been utilized by the end of the year under review. Accordingly the savings out of the provisions made amounted to Rs.798.62 million or 21 per cent.

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 Item No. 26201 of the District Secretariat, 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
56.96	49.17	41.96	52.05	200.00	190.36

2.3 General Deposit Accounts

The balances of the Deposit Accounts of the District Secretariat, Matara as at 31 December 2015 totalled Rs.436.60 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs.Millions
6000/0000/00/0001/0069/000	0.399
6000/0000/00/0002/0093/000	0.007
6000/0000/00/0013/0061/000	10.395
6000/0000/00/0016/0014/000	336.797
6000/0000/00/0017/0023/000	89.002
	<u>436.600</u>

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the District Secretariat, Matara 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 the District Secretariat and Divisional Secretariats had not maintained the following one register while two other registers had not been maintained in the proper and updated manner.

Type of Registers	Relevant Regulation	Observations
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(a) Register of Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.	Not maintained by the District Secretariat and 04 Divisional Secretariats.
(b) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978.	Not updated by the District Secretariat and 05 Divisional Secretariats.
(c) Register of Liabilities	Financial Regulation 214	Not updated.

3.2 Replies to Audit Queries

Replies to 44 audit queries issued in the year under review and 05 audit queries issued in the preceding years to the District Secretariat had not been furnished even by 30 June 2016. The value of quantifiable transactions relating to those audit queries amounted to Rs.49.88 million.

3.3 Appropriation Account

3.3.1 Budgetary Variance

After the utilization of provisions made for 05 Objects relating to the Head of the District Secretariat, Matara for which additional provisions had been made through transfer under the Financial Regulation 66 and 69 Transfers in the year 2015 the savings had ranged from 10 per cent to 12 per cent.

3.2.2 Utilization of Provisions made available by other Ministries and Departments

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

- (a) An advance of Rs.4.78 million had been paid by the District Secretariat, to the contractor for the improvement of Chest Clinic Building belonging to the Office of the District Director of Health Services under Deyata Kirula National Development Programme on 18 December 2015 before release the land. As the work of the contract had not been commenced even by 20 June 2016 and the Government money had been misused.
- (b) The parapet wall constructed in a National School, Kamburupitiya at a cost of Rs.8.00 million had been dismantled without authority and removed by an external party and as such an agreement for Rs. 6.46 million had been entered into with a contractor by the District Secretary to reconstruct from the provisions of Ministry of Housing and Samurdhi. Even though an advance amounting to Rs.184,221 had been paid to the contractor on 29 December 2015, the constructions of above work had been done on an irregular manner and the work had not been completed even by 31 July 2016.
- (c) An agreement for to Rs.1.46 million had been entered into with a Farmer's Organization by the Divisional Secretary, Matara for the construction of second stage of the Thotamuna Fishery Jetty under the Deyata Kirula Programme. The payments had been suspended by the Divisional Secretariat, Matara as the constructions were unsuccessful as reported by the inspection reports. Despite that, the District Secretariat had reversed the provisions of Rs.1.50 million on 21 April 2015 and paid a sum of Rs.1.45 million to the respective society. As the Fishery jetty had not been constructed according to the proper standard, the expected objective had not been achieved from the total payment made.
- (d) A security camera system had been installed in the District Secretariat by incurring a sum of Rs.1.92 million on 29 August 2012 under the provisions of Ministry of Economic Development. But the entire camera system had become out of order even by 01 June 2016.
- (e) The following deficiencies were observed at the examination carried out relating to the works and projects implemented by the Divisional Secretariats in Matara District under the Programme of Upgrading Villages.
 - (i) Even though provisions amounting to Rs.1.96 million had been granted to the Divisional Secretariat, Hakmana to execute two projects, those projects had been cancelled without being implemented.

- (ii) Two projects amounting to Rs.1.47 million for which agreement had been entered into by the Divisional Secretariat, Pasgoda had not been implemented in the year 2015.
 - (iii) A sum of Rs.882,000 had been paid by the Divisional Secretariat, Pasgoda on 31 December 2015 to a Farmer's Organization to construct a building for a Maternity Clinic Unit for Central Dispensary, Napath Ella. Even though the respective work had been constructed as a storied building, a stair case had not been constructed to enter into the upper floor. Similarly, as adequate provisions had not been made available to complete the respective work, that construction work could not be utilized and as such the expenditure incurred had become fruitless.
 - (iv) A sum of Rs.437,454 had been paid by the Divisional Secretary, Pasgoda on 31 December 2015 to a Rural Development Society for the Development work of Thennahena - Puhulhena Walakada Road. The work had not been executed in compliance with the specified standard while a sum of Rs.42,393 had been paid for 03 items of work which were not executed.
 - (v) A sum of Rs.435,572 had been paid to a Rural Development Society on 31 December 2015 for the development work of the Pasgoda, Bengamuwa West, Kiriwandeniya Galagodahena Road. The work had not been executed according to the specified standard while a sum of Rs.63,143 had been paid for 2 items of the work which were not executed.
 - (vi) Even though a sum of Rs.609,977 had been paid to a Farmer's Organization on 31 December 2015 for the constructions of Pasgoda Karallowita Community Hall, the work amounting to Rs.339,137 had not been executed according to the specified standard.
 - (vii) Even though a sum of Rs.989,800 had been paid to a Rural Development Society to construct the Karathota Community Hall in the Divisional Secretariat, Division of Kirinda-Puhulwella, the work had not been executed according to the agreement. The building could not be utilized as the work could not be completed within the agreed amount. Therefore the amount spent had become fruitless.
- (f) The following deficiencies were observed during the audit test checks carried out on works and projects implemented by the Divisional Secretariats in Matara District Under Palath Neguma Programme.
- (i) An advances Rs.1.94 million had been paid to the Matara Pradeshiya Sabha on 31 December 2014 to construct the weekly fair, Kumbalgama. The work had not

been commenced even by 20 June 2016, while the advance paid had not been misused for over 17 months.

- (ii) Sums of Rs.1.36 million and Rs.1.38 million had been paid to the contractor for the construction of multi-purpose buildings in Denipitiya East and Bathalahena without recovering the liquidated damages as at 31 December 2015. As the respective buildings were not in the utilization level even by 20 June 2016, the amount spent had become uneconomic.
- (g) A sum of Rs.428,368 had been paid to the Malimboda Pradeshiya Sabha on 06 August 2015 to develop the Temple Road from Egodawatta in the Divisional Secretariat Division Malimboda under the Development Plan 2014. But, according to the quality inspection reports, it was established that the constructions had been done the deviating from the specified standard.
- (h) Agreement had been entered into in connection with 04 works of the year 2014 in the Development Plan implemented Hakmana Divisional Secretariat amounting to Rs. 5,625,028 continued for the year 2015. The respective works had not been commenced even by 08 January 2016.
- (i) Three special projects of Public Representatives continued from the year 2014 to 2015 totalling Rs.1.90 million and 04 Projects totalling Rs.5.19 million commenced under Ruhunu Udanaya in the Divisional Secretariat, Devinuwara had been abandoned by 31 December 2015.
- (j) A sum of Rs.959,868 had been paid for the constructions of water drainage ditch up to the side drain of the Polhena Road of the Medagedarawatta in the Divisional Secretariat area, Matara. At the physical examination carried out on 22 September 2015 it was revealed that a sum of Rs.559,357 had been overpaid by including unapproved works and fictitious works.
- (k) A sum of Rs.2.10 million had been paid by the District Secretariat to a private institution on 04 June 2015, for providing 50 computer tables and 100 chairs for the Computer Laboratories of the Schools in the Matara District under the provisions of the Ministry of Foreign Affairs. As the Government Procurement Procedure had not been followed properly the contractor had obtained the goods through an intermediary and distributed.
- (l) Compensation amounting to Rs.142.31 million had been paid by the Divisional Secretariat, Matara in the year 2015 to acquire a land for the Construction of Youth Park, Matara from the provisions of the Ministry of Youth Affairs and Skills Development. The project work had been stopped halfway after spending a sum of Rs.6.00 million for the respective construction works.

- (m) A private land had been acquired by the Government to construct a cultural centre and a sum o Rs.11.50 million had been spent and commenced the constructions by May 2015. But entire constructions thereon had been stopped in September 2015. As the constructions had not been carried out, the owner of the land had requested to transfer the land to him subject to return the compensation.
- (n) Thirty two projects implemented by spending a sum of Rs.17.86 million in the Divisional Secretariat, Malimboda had not been executed in terms of the agreements and had been abandoned. The activities of the 08 projects amounting to Rs.1.18 million had been limited only to preparation of estimates.

3.4 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on deposits older than 2 years totalling Rs.322,173.

3.5 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No.26201 as at 31 December 2015, the balances that remained outstanding as at 31 July 2016 from 16 officers who were transferred out, deceased, retired, dismissed and had vacated posts totalled Rs.1,488,700. Even though, those outstanding balances remained over periods ranging from 01 year to 05 years the District Secretariat had failed to recover those outstanding balances.

3.6 Assets Management

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

(a) **Idle and Underutilized Assets**

The Three wheeler of the Divisional Secretariat, Thihagoda had remained underutilized over one had half years and 2 Government quarters situated at Weheragampita belonging to the Divisional Secretariat had remained idle over 4 years.

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

According to the Boards of Survey Reports for the year 2015, shortages of 652 units of goods of 60 items in 10 Divisional Secretariats were revealed, and action in terms of the Financial Regulations had not been taken thereon.

3.7 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
	Rs.	
(i) Financial Regulations 136 to 139 of the Democratic Socialist Republic of Sri Lanka	11,008,700	Three cheques had been drawn on 31 December 2015 before receiving the reports of the Technical Evaluation Committee in respect of the goods proposed to be purchased and action had been taken to cancel those cheques subsequently.
Guideline 3.6.1 of the Government Procurement Guidelines.	1,892,757	In purchasing stationery for the year under review by the District Secretariat the supplier had been selected on the procurements decision taken in the preceding year in purchasing stationery.

(b) Non-compliance with Tax Requirements

Instances where action taken without complying with tax requirements observed during the course of audit test checks are given below.

- (i) Value Added Tax totalling Rs.4,213,769 had been paid by the District Secretariat and 2 Divisional Secretariats to suppliers and contractors who supplied goods and services without being confirmed the activation.
- (ii) A sum of Rs.166,660 had been paid in the year under review as Value Added Tax to a contractor who was not registered for Value Added Tax.

3.8 Performance

Instances of action not taken according to the Annual Budget Estimate 2015 and the Action Plan prepared are given below.

- (i) Even though the purchases of furniture and office equipment should have been completed by 31 July 2015, furniture and office equipment totalling Rs.3.06 million had been purchased in 23 instances during the period from 31 July 2015 up to 31 December 2015. That amount represented 93 per cent of the total purchases made of the year.

- (ii) Even though the purchases of Plant and Machinery should have been completed by 31 July 2015, the plant and machinery valued at Rs.222,980 had been purchased for the District Secretariat in 4 instances during the period ranging from 31 July 2015 to 31 December 2015. That amount represented 94 per cent of the total purchases made for the year.

3.9 Transactions of Contentious Nature

Twenty Desktop Computers costing Rs.1.82 million and 05 Laptop Computers by costing Rs.445,000 had been purchased by the District Secretariat in the year 2015 to implement the New Cigas Programme. However, those goods did not conform to the approved specifications and 2 Desktop Computers valued at to Rs.182,000 and 5 Laptop Computers had been utilized for the activities outside the respective objectives.

3.10 Irregular Transactions

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

- (a) An agreement had been entered into with a contractual society by the Divisional Secretary for construction of the new building of the Divisional Secretariat, Dewinuara. Without considering that, the District Secretariat had drawn a cheque for Rs.1,687,238 in the name of the contractor on 31 December 2015 and subsequently it had been changed as Divisional Secretary, Dewinuara on 17 February 2016 and sent it to the Divisional Secretary. The District Engineer had not authorized the work for a sum of Rs.418,251 comprising Rs.272,606 for external works and Rs.145,645 for additional works. A sum of Rs.557,108 had been paid by the District Secretariat for the works which were not executed.
- (b) In making payments for the relevant work, a sum of Rs.1.69 million had been paid to the contractor irregularly without following the provisions in the Financial Regulations 136 to 139.
- (c) An agreement for to Rs.1.40 million had been entered into with a Samurdhi Society for the repairs of the house allocated to the Assistant District Secretary at Veheragampita, Matara. The related estimate and the bills had not been recommended by the District Engineer. The bill of quantities had not been prepared properly for the executed works of that contract amounting to Rs.1.19 million. A sum of Rs.446,000 had been paid on 31 December 2014 for the works unidentified specifically out of the works executed. A sum of Rs.623,634 had been paid on 07 April 2015 by deducting retaining money without the approval.

3.11 Losses and Damage

The following observations are made.

- (a) The losses relating to the 30 vehicle accidents caused during the period ranging from the year 2002 to 2015 totalled Rs.1.89 million. Action had not been taken either to write off or recover these losses and damage even by the end of the year review.
- (b) Further action had not been taken relating to 5 incidents of losses and damage caused totalling Rs.15.32 million for periods ranging from 5 years to 18 years in respect of the losses and damage caused in the Tsunami and losses in the robbery of salaries.
- (c) A loss of Rs.1,817,098 had incurred due to an accident caused to a motor vehicle belonging to the District Secretariat on 25 December 2011. The Secretary of the Ministry of Public Administration and Home Affairs had informed the District Secretary on 28 March 2014, that the loss amounting to Rs.103,213 caused to the Government due to the negligence and irregular action taken and that the loss should be recovered from the Driver. Without taking action accordingly, the information had been concealed and the approval had been taken again from the Secretary to the Ministry of Home Affairs to write off the loss.

3.12 Unresolved Audit Paragraphs

The follow-up action relating to the construction of the toll gate (Renda Pola) of the Gandarawella Fisheries Village included in the paragraph 7.4(c) of the Report of the Auditor General for the year 2006 in respect of the District Secretariat had not been taken even by 30 June 2016.

3.13 Human Resources Management

Approved Cadre and Actual Cadre

The position on 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	56	52	04	-
(ii)	Tertiary Level	34	22	13	01
(iii)	Secondary Level	1255	1426	61	232
(iv)	Primary Level	142	145	-	03
(v)	Others (Casual/ Temporary/ Contract Basis	06	02	04	-
	Total	<u>1493</u>	<u>1647</u>	<u>82</u>	<u>236</u>

The following observations are made.

- (i) Action had not been taken to fill 17 vacancies in the Senior and Tertiary Level by the end of the year under review and as such it had affected to the administrative activities of the Divisional Secretariats and District Secretariat.
- (ii) Action had not taken to fill 43 vacancies of Grama Niladharies and as such required assistance for the people in the area to accomplish their requirements had not been provided.
- (iii) In recruiting the Graduate Trainees as Development Officers, the Ministry of Home Affairs had granted approval for 95 Graduate Trainees. Nevertheless the District Secretariat had created various posts and recruited 307 Development Officers. The formal approval had not been obtained for the excess number of 212 trainees even by 31 March 2016. The required action had not been taken relating to the overall excess of 236 officers and vacancies in Posts of 82 officers.
- (iv) Excess employees had been recruited due to action taken without a proper study and planning in respect of the posts required for offices and it was observed that those Development Officers had been deployed in the duties of the other services in certain instances.