

Report of the Auditor General on Head 263 – District Secretariat, Hambantota Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 263 – District Secretariat, Hambantota 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 01 August 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

Total Provision and Expenditure

The total net provision made for the District Secretariat, Hambantota amounted to Rs.923.75 million and out of that Rs.857.35 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the District Secretariat, Hambantota amounted to Rs.66.40 million or 7.19 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	695.65	690.01	5.64	0.81
Capital	228.10	167.34	60.76	26.64
Total	<u>923.75</u>	<u>857.35</u>	<u>66.40</u>	<u>7.19</u>

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

Provisions totalling Rs.2,442 million had been made available by other 27 Ministries and 16 Departments for various activities and out of that a sum of Rs.2,399 million had been utilized by the end of the year under review. Accordingly, the savings out of the provisions made amounted to Rs.43 million or Rs.1.76 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 Account Item No. 26301 of the District Secretariat, Hambantota, 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
45.60	45.15	30.60	37.26	163.00	147.63

2.3 General Deposit Accounts

The balances of the 06 Deposit Accounts of the District Secretariat, Hambantota as at 31 December 2015 totalled Rs.599.81 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs.Millions
6003/0000/00/0011/0598/000	300.00
6000/0000/00/0016/0043/000	162.47
6000/0000/00/0013/0075/000	85.14
6000/0000/00/0017/0014/000	50.48
6000/0000/00/0002/0092/000	0.89
6000/0000/00/0014/0007/000	0.83
	<u>599.81</u>

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the District Secretariat, Hambantota 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 Replies to Audit Queries

Replies to 12 audit queries issued in the year under review and 03 audit queries issued in the preceding years to the District Secretariat, Hambantota had not been furnished even by 31 March 2016. The value of quantifiable transactions relating to those audit queries amounted to Rs.29,783,610.

3.2 Appropriation Account

Provisions made available by Other Ministries and Departments

The following observations are made.

(a) Provisions made available by the State Ministry of Child Affairs

In purchasing of Nutrition Parcels, a sum of Rs.370,134 had been overpaid as action had been taken to purchase of food items at higher prices by deviating from the Procurement Procedure by the Divisional Secretariat, Lunugamvehera.

(b) Provisions made available by the Ministry of Housing and Samurdhi

The following observations are made.

(i) The following deficiencies were revealed during audit test checks carried out on Implementation of Upgrading 15,000 Villages under “Dorin Dorata Gamin Gamata” Programme.

- Provisions of Rs.259,920 had been saved due to over estimation of quantity and unit cost in preparing estimates for the work of Construction of security mesh fence of the Vidyarthi Vidyalaya implemented by the District Secretariat, Tissamaharamaya.
- Upgrading Villages Programme, 2015 of the Secretary of the Ministry of Housing and Samurdhi No. MHS/RD/VDP/2015 dated 04 March 2015 had

not taken action in accordance with the Government Procurement Guideline to enter into an agreement with the contractor for the above work and the saving of Rs.159,920 had been utilized for the construction of Internal Road System of the Divisional Secretariat.

- A sum of Rs.65,904 had been overpaid for 3 items of work not executed included in the first bill in respect of the work of the construction of a Children's Park on the land on which the Mahapelessa Sewa Piyasa had been implemented by the Divisional Secretariat, Suriyawewa.
- A sum of Rs.112,392 had been in spent by the 02 Divisional Secretariats to make office Name boards utilizing the provisions allocated for administration expenses relating to the above programme without obtaining the approval of the Secretary to the Ministry.

(ii) A sum of Rs.223,405 had been overpaid for the work not executed included in the payment bills relating to 3 Building Construction Projects and 1 Road Development Project implemented by the Divisional Secretariat, Angunukolapelassa.

(iii) A sum of Rs.106,561 had been paid to the contractor for the execution of the work under Item No. 14 of the estimate relating to a work of Construction of Kalawella Seva Piyasa implemented by the Divisional Secretariat, Angunukolapelassa. But the respective work had not been completed according to the proper standard and the entire floor of the building had cracked.

(c) **Provisions made available by the Ministry of Economic Development**

Cheques totalling Rs.1,140,373 had been drawn and retained in hand on 31 December 2015 by certifying that, the 2 works implemented by the Divisional Secretariat, Beliatta had been completed. The parts of the work totalling Rs.186,931 in respect of those works had remained without being completed even by 12 January 2016.

(d) **Provisions made available by the Ministry of Disaster Management**

The following observations are made.

- (i) Twenty six Tsunami Warning Boards valued at Rs.79,300 had been constructed by the District Disaster Management Co-ordination Unit without following the Procurement Procedure.

- (ii) Even though, the works related to the first installment granted to 3 beneficiaries selected under the Programme implemented by the Divisional Secretariat, Walasmulla for providing assistance for the damaged houses due to disasters had not been executed, the second installment totalling Rs.150,000 had been paid based on the false documents furnished by the Grama Niladhari.

(e) **Provisions made available by the Ministry of Social Service**

A sum of Rs.123,000 payable to 41 disabled persons for the month of December 2015 had not been paid by the Divisional Secretariat, Weeraketiya but the paid voucher had been prepared along with the list of signatures of the beneficiaries stating that they had obtained the money.

(f) **Provisions made available by the Ministry of Public Administration and Home Affairs and Ministry of Housing and Samurdhi**

The following observations are made.

- (i) A sum of Rs.708,250 had been spent by the District Planning Secretariat to repair a Jeep. The approval of the Secretary to the Ministry had not been obtained for that repair in terms of the provisions of the Government Procurement Guidelines.
- (ii) A sum of Rs.151,950 had been paid for the repairs of 16 items which were not recommended by the Mechanical Engineer in repairing of the above Jeep.

3.3 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliations Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No.26301.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date, totalled Rs.4,407,694. Even though the outstanding balances totalling Rs.1,579,751 out of that, remained over periods ranging from 2 years to 20 years as at 31 July 2016, the District Secretariat had failed to recover those outstanding balances.
- (b) The District Secretariat had not prepared the Register of Individual Account Balances including the balances of loans and advances in terms of Financial Regulations.
- (c) A loan balance of Rs.187,408 recoverable as at 31 July 2016 from an officer retired in the year 2008, had remained as an unrecoverable loan balance for over 7 years.

- (d) Even though the loan balances totalling Rs.270,405 recoverable from 3 officers who had vacated posts during the period from the year 1996 to 2013 had remained irrecoverable for a period ranging from 2 years to 19 years, necessary action had not been taken to recover the loan balances either from sureties as well.
- (e) Even though the loan balances totalling Rs.1,121,938 recoverable as at 31 July 2016 from 7 officers who were interdicted during the period from the year 1995 to 2013 had remained irrecoverable over periods ranging from 4 years to 20 years, necessary action had not been taken to recover those loan balances either from sureties as well.

3.4 Good Governance and Accountability

Annual Performance Report

Even though the Performance Report should be tabled in Parliament within 150 days after the close of the financial year by the District Secretariat in terms of the Public Finance Circular No.402 dated 12 September 2002, the Performance Report for the year 2015 had not been tabled in Parliament even by 31 July 2016.

3.5 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

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

	Category of Assets	Number of Units	Value	Idle or Underutilized Period
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			Rs.	
(i)	Buildings	01	Not furnished	4 years
(ii)	Motor Vehicles	04	Not furnished	From 1 year to 10 years
(iii)	Machinery and Equipment	10	Not furnished	More than 14 years

(b) **Unsettled Liabilities**

The unsettled liabilities of the District Secretariat less than 01 year old as at 31 December 2015 amounted to Rs.1,034,043.

3.6 Non-compliances

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.

References 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 Regulations 137, 139 and 237	9,701,138	The Divisional Secretariat, Walasmulla had prepared vouchers in December 2015 for the 11 contracts for which the measurement sheets and the bills had not been furnished, drawn the cheques and retained in hand even by 11 January 2016.
	3,198,203	The Divisional Secretariat, Angunakolapalassa had drawn 18 cheques in December 2015 for the works not executed without obtaining a certificate that the works has been performed satisfactorily and had retained the cheques in hand even by 02 February 2016.
	993,150	The Divisional Secretariat, Angunakolapalassa had drawn 24 cheques in December 2015 for the uncompleted transactions and for the goods which were not received by the stores and retained the cheques in hand even by 02 February 2016.
(ii) Financial Regulation 215(1) and 237	1,032,054	Nine Cheques had been drawn on 31 December 2015 on the names of the suppliers for the goods not supplied to the Divisional Secretariat, Katuwana and retained the cheques in hand even by 23 February 2016.

(b) Treasury Circulars

Circular No.95 dated 24 September 2001	736,287	Action had not been taken to settle the loan balances of officers went on transfers to the Provincial Councils and the Statutory Institutions in lump sum by cheques.
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(c) Other Letters

Letter No. 02/06/02/06 (viii) GSHB of the Secretary of the Ministry of Environment dated 20 October 2010	-	The Divisional Secretariat, Lunugamvehera had given recommendations to issue licenses to a private construction institution to excavate and transport 200 cubes of soil for commercial purposes.
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3.7 Implementation of Projects under Domestic Financing

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

(a) Projects abandoned without Commencing

Forty Three Projects of estimated cost amounting to Rs.6,198,625 due to be implemented in the year 2015 by the District Secretariat had not been commenced due to heavy rains and other reasons.

(b) Projects abandoned without Completion

Even though 3 Projects of estimated cost amounting to Rs.357,977 had been commenced by the District Secretariat in the year 2015, those projects had been abandoned without completion due to various reasons.

3.8 Irregular Transactions

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

(a) Deviation from the Government Procurement Guidelines Procedure

The following observations are made.

- (i) None of the members of the Procurement Committee had participated in the decisions taken by the Divisional Secretariat, Lunugamvehera in respect of 03 procurements totalling Rs.3,458,587 in the year 2015.
- (ii) The above mentioned Divisional Secretariat had not invited quotations from the registered suppliers deviating from the provisions of the Guideline 3.4.3 of the Government Procurement Guidelines in respect of 34 purchases totalling Rs.5,304,370 made under the Shopping Procedure in the year 2014.
- (iii) The above Divisional Secretariat had granted only 05 days bidding period for submission of quotations without complying the Guideline 6.2.2 of the Government Procurement Guidelines when purchasing building materials amounting to Rs.5,425,574 in August 2014.

(b) Transactions without Authority

The Divisional Secretariat, Okewela had spent a sum of Rs.1,862,795 to purchase Nutrition Packs for the period from March to June 2015 by exceeding the authority given for the Regional Procurement Committees in terms of the Government Procurement Guidelines.

3.9 Losses and Damage

Even though Losses and Damages totalling Rs.19,451,377 had been incurred on 35 incidents in the District Secretariat and 12 Divisional Secretariats for the period from the year 1987 to 2015, action had not been taken in this regard in terms of Financial Regulation 109 even by the end of the year under review.

3.10 Uneconomic Transactions

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

- (a) Under the project for distribution of water cans to the drought affected people through the Divisional Secretariats, 7,012 water cans of 20 liters given by the Department of Divineguma Development had been misplaced.
- (b) The equipment valued at Rs.45,425 had been misplaced due to storing 218 home gardening equipment sets valued at Rs. 1,146,620 received by the Divisional Secretariat, Tissamaharama under the Oxfam Sri Lankan Home Gardening Programme in an open space without a proper security.

- (c) Twenty ordinary singer machines with electric motor valued at Rs.462,000 purchased by the Divisional Secretariat, Suriyawewa on 30 December 2014 under the Development Programme of Public Representatives - 2014 had been retained in the stores without being distributed for beneficiaries even by June 2016.
- (d) A sum of Rs.96,750 out of the provisions allocated for administration expenses of accelerated Development Programme to give relief to the people who were affected by the drought had been paid by the Divisional Secretariat, Tissamaharama to a private hotel to hold a get together of the officers with the approval of the Divisional Secretary without obtaining the approval of the Secretary to the Ministry.
- (e) Out of the goods purchased in the years 2013 and 2014 by the Divisional Secretariat, Tissamaharama under the Special Development Programme of the Public Representatives, the goods valued at Rs.678,555 had not been distributed among beneficiaries even by 26 November 2015.

3.11 Management Weaknesses

Six Hundred and ten land Title Deeds registered and 337 land Title Deeds not registered in the Land Registry had been retained by 04 Divisional Secretariats for periods ranging from 01 year to 32 years without being distributed the owners of those lands.

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
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(i) Senior Level	46	40	07	01
(ii) Tertiary Level	35	13	22	-
(iii) Secondary Level	1,052	1,007	92	47
(iv) Primary Level	116	115	07	06
(v) Others (Casual/ Temporary/ Contract Basis)	-	02	-	02
Total	<u>1,249</u>	<u>1,177</u>	<u>128</u>	<u>56</u>

The following observations are made in this regard.

- (a) Even though an excess cadre in 54 posts of 03 levels had existed as at the end of the year, no action whatsoever had been taken to regularize those posts.
- (b) It was observed that 02 excess employees had been deployed in the service of 02 posts which were not included in the approved cadre.