

Report of the Auditor General on Head 270 – District Secretariat, Ampara –Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 270 – District Secretariat, Ampara 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 25 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 amounted to Rs.842.25 million and the entire provision had been utilized by the end of the year under review. Details appear below.

Expenditure	As at 31 December 2015	
	Net Provision	Utilization
	Rs.Millions	Rs. Millions
Recurrent	778.25	778.25
Capital	64.00	64.00
Total	842.25	842.25

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

Provisions totalling Rs.1,540.17 million had been made available by other 09 Ministries and 08 Departments for various activities and out of that a sum of Rs.1,522.58 million had been utilized by the end of the year under review. Accordingly provisions totalling Rs.17.59 million or 1.14 per cent of the provisions made available for the District Secretariat had been saved.

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the District Secretariat 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
58.00	50.50	38.00	43.83	170.00	153.36

2.3 General Deposit Account

The balances of the Deposit Accounts of the District Secretariat as at 31 December 2015 totalled to Rs.574.25 million. Details appear below.

Deposit Account Number	Value
	Rs. Millions
6000/0000/00/0001/0089/000	7.62
6000/0000/00/0002/0119/000	0.35
6000/0000/00/0011/0599/000	300.00
6000/0000/00/0014/0013/000	9.11
6000/0000/00/0016/0067/000	208.21
6000/0000/00/0017/0020/000	4.83
6000/0000/00/0020/0011/000	44.13
Total	<u>574.25</u>

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the District Secretariat, Ampara 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 had not maintained the following register while another register had not been maintained in the proper and updated manner.

	Type of Register	Relevant Regulation	Observations
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(i)	Attendance Register of the Members of the Procurement Committees and Technical Evaluation Committees	Guideline 2.11.2 of the Government Procurement Guidelines.	Not maintained.
(ii)	Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978.	Not maintained.

3.2 General Deposit Account

The following observations are made.

- (a) A sum of Rs.48.00 million had been received in the year 2014 for the repairs of the damaged Tsunami affected houses. A sum of Rs.31.95 million out of that had been incurred for the respective purpose and a sum of Rs.16.05 million had been saved as at the end of the year. It had been retained in the General Deposit Account without obtaining the Treasury approval. Out of that deposits, a sum of Rs.14.85 million had been spent in the year under review. Accordingly, a sum of Rs.1.20 million had been retained in the General Deposit Account without being utilized for intended purpose by 31 December 2015.
- (b) Even though a cheque valued at Rs.969,539 had been given by the District Secretariat to the Divisional Secretariat Saindamaridu to make payments for a project in the year 2015, a sum of Rs.270,234 out of that had been retained in the General Deposit Account.

3.3 Reconciliation Statement on the Advances to Public Officers Account

It was observed during the course of audit test checks on the Reconciliation Statement on the Advances to Public Officers Account, Item No.27001 as at 31 December 2015, the balances that remained outstanding as at that date totalled Rs.445,631. Even though those outstanding balances remained over periods ranging from 06 months to 36 months, the follow-up action on the recovery of the outstanding balances had been at a weak level.

3.4 Assets Management

Idle and Under-utilized Assets

Five water motors valued at Rs.167,000 given by the District Secretariat and a Non-Government Organization to the Divisional Secretariat, Nynthaur had remained idle throughout a period of 11 years without being utilized.

3.5 Non-compliances

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

Contrary to the Financial Regulation 137, the Divisional Secretariat, Kalmunai had paid a sum of Rs.424,838 without obtaining an approval of a responsible officer.

(b) Non-compliance with Tax Requirements

Recovery of Taxes in respect of Contracts

When payments made for the contracts, Value Added Tax amounting to Rs.300,312 comprising Rs.107,460 and Rs.192,852 had been paid by the Divisional Secretariat, Ampara and Divisional Secretariat, Saindamaridu respectively to the dormant contractors who registered for the Value Added Tax.

3.6 Implementation of Projects under 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	Due Date of Commencing	Reasons for not Commencing (briefly)
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	Rs.		
(i) Construction of a library building for the Divisional Secretariat Area, Mahaoya under Palath Neguma Programme 2014.	2,876,790	13.11.2014	Not commenced due to an objection arised from the Divisional Secretariat, Mahaoya.
(ii) Renovations of the office of the Medical Officer of Health, Mahaoya, under Palath Neguma Programme of the Ministry of Economic Development for the year 2014.	3,000,000	11.11.2014	Not commenced due to the delay in awarding the contract to the contractor.
(iii) Construction of a water drainage system of the Central Beach Road in Kalmunakudi Area 02, under Hundred Days Special Development Programme.	1,000,000	25.08.2015	Not commenced due to an objection from the people of the area to the contractor.
(iv) Project of providing goats for self-employment under the Implementation of the Gamaneguma Budget Proposals by the Divisional Secretariat, Damana.	500,000	05.12.2014	Not implemented due to the inadequacy of time to implement the respective project.

(b) Projects abandoned without completing

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 up to 31 December 2015	Reasons for Abandoning
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	Rs.		Rs.	
(i) Construction of the Pre-school Building and the Death Grant Society Building at Kalupenibedda situated in the area of Divisional Secretariat, Mahaoya under the provisions of the Ministry of Economic Development 2014.	100,000	20.08.2014	49,138	Not implemented due to financial difficulties of the society.
(ii) Construction of a Teachers hostel for the Tampitiya Vidyalaya situated in the Divisional Secretariat Division, Mahaoya under Deyata Kirula National Programme 2013.	2,620,112	25.03.2013	1,575,560	Even though the Civil Security Forces had agreed to give labour contribution, the forces had failed to give labour contribution as agreed and as such, it was not implemented.
(iii) Development of the playground of the Warapitiya Vidyalaya in the Divisional Secretariat Division Mahaoya under the programme of Development of Rural Playgrounds concurrent to the Asian Games Festival 2017.	191,304	20.11.2014	13,300	This had been failed to complete by the Zonal Education Office Mahaoya which was the implementing institution.

(iv)	Construction of the Community Hall, Marangala situated in the Divisional Secretariat Division, Padiyathalawa under the One Work for One Village programme 2014.	980,000	10.10.2014	354,172	Balance parts of the work of this project had not been completed due to the non-inclusion to the project list of continued work for the year 2015.
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(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 as at 31 December 2015	Reasons for Delay	
	Rs.				Rs.		
(i)	Construction of an E Technology Centre of the Keenawatta Vidyalaya situated in the area of Divisional Secretariat, Damana	1,987,752	20.11.2014	25.12.2014	28.12.2015	1,708,258	The constructions were delayed due to heavy rains and delays of receiving imprests.
(ii)	Construction of an E Technology Centre at Damana Maha Vidyalaya situated in the area of Divisional Secretariat, Damana	1,987,752	21.07.2014	31.12.2014	28.12.2015	1,609,141	The constructions were delayed due to heavy rains and delays of receiving imprests.
(iii)	Construction of the Milk Collection Centre, Ehelagaspallama situated within the area of Divisional Secretariat, Mahaoya	200,000	20.08.2014	20.11.2014	28.12.2015	149,173	Not receiving adequate provisions and the constructions had been delayed by the contractor.
(iv)	Development of Mahinda Rajapaksha Play Ground situated within the area of the Divisional Secretariat, Mahaoya	191,210	20.11.2014	30.12.2014	26.12.2015	191,210	Delayed due to problematic conditions in the acquisition of lands.

(v)	Construction of "Sithsarana" Advisory Centre in the area of the Divisional Secretariat, Ampara	2,860,665	2007	Due date of completion had not been mentioned.	08.03.2016	2,860,664	Delayed due to probamatic conditions in the selection of a suitable land.
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3.7 Performance

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

Key functions not executed adequately

During the audit test check carried out relating to the transactions of the District Secretariat, it was revealed that certain functions had not been executed adequately. Details are given below.

- (a) A sum of Rs.1,964,650 had been paid by the Divisional Secretariat, Akkaripattu on 13 October 2014 for the purchase of 6,552 chicks for the year 2015 to the Animal Production Division of the Eastern Provincial Council. Nevertheless, the chicks had not been obtained even by 22 December 2015.
- (b) Under the Programme of providing a glass of milk to the pre-school children conducting by the State Ministry of Child Care, 88 pre-schools in the Divisional Secretariat Divisions of Damana and Ampara had been selected. However, this programme had been implemented only for 19 pre-schools.
- (c) Provisions of Rs.1 million had been approved for the project of the construction of 02 Spill Regulators to the Pallachcheni main channel proposed to be implemented by the Divisional Secretariat, Damana under the Hundred Days Special Programme. Nevertheless, it was failed to implement that project due to not preparing accurate estimates.

3.8 Contract Administration

The following deficiencies were revealed during the audit test checks on the contracts carried out by the District Secretariat.

- (a) A contract had been entered into with the first contractor by the Divisional Secretariat, Uhana at an estimated value of Rs.860,706 to construct the Sub-Post Office Building Uhana, Gonagolla and a sum of Rs.773,661 had been paid. But the contractor had abandoned the respective project and as such a sum of However, Rs.162,624 had been paid to the second contractor to execute the balance work of the project. Accordingly, a sum of Rs.75,579 had been over paid due to the non- selection of a suitable contractor.

- (b) The construction of the Children's Park had been completed by the Divisional Secretariat, Addalatcheni out of the provisions of Rs.3.5 million made under the Palath Neguma provisions of the Ministry of Economic Development by 23 December 2015. At the physical examination carried out thereon it was revealed that 06 broken concrete posts remained in the children's park had not been repaired by the contractors and the park also had remained at an unusable condition.

3.9 Deficiencies in the Operation of Bank Accounts

Balances for Adjustments

Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statement prepared by the District Secretariat, Ampara for December 2015 are given below.

Particulars of Adjustments	Age Analysis		Total
	Over 06 months less than 01 year	Over 01 year less than 03 years	
	Rs.	Rs.	Rs.
(i) Deposits not realized	-	315,000	315,000
(ii) Cheques issued but not presented for payment	202,773	689,907	892,680
(iii) Unidentified Debits	381,992	66,047	448,039

3.10 Irregular Transactions

Certain transactions entered into by the District Secretariat had been of contentious nature. Particulars of several such instances observed are given below.

(a) Deviation from the Government Procurement Guidelines Procedure

The following observations are made.

- (i) A stationery stock valued at Rs.622,800 had been purchased by the Divisional Secretariat, Kalmunai by 31 December 2015 without following the Government Procurement Procedure.
- (ii) When implementation of the contractual activities by the Divisional Secretariat, 09 contracts valued at Rs.9,673,200 had been executed through the other societies in the outside areas without awarding contracts to the societies in the Division during the year 2015.

3.11 Losses and Damages

The loss caused due to entering the thieves and broken the Saddatisspura Stores belonging to the District Secretariat, Ampara on 21 September 2015 had been assessed as Rs.680,590. Action in terms of the Financial Regulation had not been taken and had not been completed even by the end of the year under review.

3.12 Uneconomic Transactions

Under the Programme of the providing Nutritional Foods to the Pregnant Mothers, the payable sum had been Rs.4,352,760 according to the agreement entered into with the supplier by four Divisional Secretariats for purchasing food for the year 2015 and according to the prices mentioned in the Gazette Notification. But a sum of Rs.5,257,999 had been paid thereon. Accordingly, a sum of Rs.905,239 had been overpaid.

3.13 Unresolved Audit Paragraphs

Reference to the audit paragraphs on which the District Secretariat had not rectified the deficiencies out of those pointed out in the paragraphs included in the report of the Auditor General for the year 2014 on the District Secretariat is given below.

Reference to Report of Auditor General

Year	Paragraph Number	
2014	154(6) 3.1	Non- maintenance of updated Register of Fixed Assets.
2014	154(6) 3.5	Action not taken for the recovery of outstanding balances remained in the Advance Account.
2014	154(6) 3.6	Idle and Under-utilized Assets
2014	154(6) 3.9	A cab vehicle had been parked without being repaired.

3.14 Management Weaknesses

The following management weaknesses were observed during audit test checks.

- (a) Even though a cab vehicle belonging to the Divisional Secretariat, Damana had been sent to a garage for a repair on 06 November 2013, the vehicle had been retained in the garage without doing any repairs even by 08 December 2015.
- (b) Even though the aids payable to the disabled persons should be deposited to their bank accounts in terms of the Circular No.NSPD/3/2015 of the Ministry of Social Services dated 06 January 2015 the Divisional Secretariat, Akkaraipattu had made a payment of Rs.2,892,000 by cash.

- (c) Revenue licenses and, insurance certificates had not been obtained for 03 motor bicycles belonging to the Divisional Secretariat, Addalachcheni in respect of 04 preceding years and the running charts also had not been maintained for those motor bicycles.
- (d) Two cheques valued at Rs.2,632,890 drawn for contract works of the Divisional Secretariat, Padiyathalawa on 31 December 2015 had been retained in hand without being issued to the contractor and had been shown as the cheques not presented for payments in the Bank Reconciliation Statement for the month of April 2016.
- (e) Two motor cycles belonging to the Divisional Secretariat, Uhana had been utilized by the Assistant Planning Director from the year 2008 and – Grama Niladhari - Administration from the year 2014 respectively. without a formal handing over.
- (f) As a formal methodology was not followed to issue cheques in the Divisional Secretariat, Mahaoya, 23 cheques amounting to Rs.443,688 had been cancelled during the first 08 months of the year 2015, due to cheques had been drawn for ineligible persons and other printing mistakes.

3.15 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre of the District Secretariat and Divisional Secretariats as at 31 December 2015 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
(i) Senior Level	88	83	5	-
(ii) Tertiary Level	41	11	30	-
(iii) Secondary Level	1,201	1,041	160	-
(iv) Primary Level	214	231	-	17
Total	<u>1,544</u>	<u>1,366</u>	<u>195</u>	<u>17</u>

The following observations are made.

- (i) Five posts of Assistant Divisional Secretary which is the Chief Senior Level post had remained vacant and action had not been taken to recruit for those posts and as such, it was observed that it will be adversely affected to provide an adequate service to the people living in the respective area.

- (ii) Eighteen posts of Technological Officers and Assistant Technological Officers had remained vacant and action had not been taken to fill those vacancies. As such, it was observed that the implementation of contracts in the Divisional Secretariats and the supervision works were not in satisfactory level.