

Report of the Auditor General on Head- 273 District Secretariat, Puttlam– Year 2015

The audit of the Appropriation Account and reconciliation statements including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Puttlam, Head 273, 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 02 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 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 amounted to Rs.684.95 million and out of that Rs.678.99 million had been utilized by the end of the year under review. Accordingly, a sum of Rs.5.96 million or 0.87 per cent of the net provision of the District Secretariat 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	627.65	621.73	5.92	0.94
Capital	57.30	57.26	0.04	0.07
Total	684.95	678.99	5.96	0.87

(a) Utilization of Provision made available by other Ministries and Departments

Thirty three Ministries and 18 Departments had made available provision totalling Rs.2153.80 million for various activities and out of that provision Rs.1,297.77 million had been utilized at the end of the year under review. Accordingly, out of the provisions made available, Rs.874.03 million or 40.58 per cent had been saved.

2.2 Advance Account

Advances to Public Officers' Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account relating to the District Secretariat, Puttlam, under Item No 27301 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
51.87	45.01	36.87	41.03	160.0	140.48

2.3 Imprest Account

The balance of imprest account No 7002/0000/00/0312/0015/000 under the District Secretariat, Puttlam as at 31 December, 2015 was Rs.76.50 million.

2.4 General Deposit Accounts

The balance of the General Deposit Accounts of the District Secretariat, Puttlam as at 31 December 2015 totalled Rs.270.49 million. Details are given below.

<u>Account No</u>	<u>Balance as at 31 December 2015</u>
	Rs. Millions
6000/0000/00/0001/0070/000	0.36
6000/0000/00/0002/0095/000	0.27
6000/0000/00/0013/0063/000	50.89
6000/0000/00/0016/0046/000	202.48

6000/0000/00/0017/0016/000	11.54
6000/0000/00/0019/0009/000	4.02
6000/0000/00/0020/0003/000	<u>0.93</u>
Total	<u>270.49</u>

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statement of the District Secretariat, Puttlam for the year ended 31 December, 2015, have been prepared satisfactorily, subject to the audit observations appearing in the management audit report referred to in paragraph 1.1 above. Out of the audit observations included in that management audit report, material and significant audit observations are shown in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

It was observed at test audit checks, that the District Secretariat had not updated the under mentioned Security Deposit Register while other registers had not been maintained.

<u>Type of register</u>	<u>Relevant regulation</u>
(a) Fixed Asset Register for Vehicles	Treasury Circular No 842 of 19 December 1978
(b) Register of Loans	Financial Regulation 485
(c) Stock Book	Financial Regulations 751 and 763
(d) Security Deposit Register	Financial Regulation 891(1)

3.2 Lack of Evidence for Audit

Even though it had been reported that 6 payment vouchers valued at Rs.1,002,066 had been submitted for internal audit in accordance with Financial Regulation 272(2), those had not been submitted to the Auditor General even by 30 June 2016.

3.3 Appropriation Account

3.3.1 Budgetary Variance

The following observations are made.

- (i) The entire net provision made for 02 Objects totalling Rs.150,000 had been saved.
- (ii) Excess provision had been made for 02 Objects, and as such the savings after the utilization of provisions relating to those Objects ranged from 6 per cent to 11 per cent.

3.3.2 Utilization of Provisions made available by other Ministries and Departments

During the year under review, the Ministry of Housing and Samurdhi, the State Ministry of Child Affairs and the Department of Pensions had provided Rs.571,000,000, Rs.96,028,066 and Rs.179,403,173 respectively to the District Secretariat, and Rs.533,666,904, Rs.89,659,386 and Rs.104,820,594 respectively or 93 per cent, 93 per cent and 58 per cent respectively had been saved out of the provisions. Accordingly, it is observed that the provisions received had not been directed to achieve the specific objectives.

3.4 General Deposit Account

According to Financial Regulation 571 (1), detailed lists regarding General Deposits had not been prepared half yearly and submitted to audit.

3.5 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks carried out on the Reconciliation Statement as at 31 December 2015 on Advances to Public Officers Account item No.27301.

- (a) According to the reconciliation statement made available to the audit, the balances that remained outstanding as at that date totalled Rs.3,415,930 and the follow up actions in connection with the recovery of those outstanding loan balances had been at a weak level.
- (b) In the payment of loans, the District Secretariat had paid distress loans amounting to Rs.616,405 contrary to provisions of Public Administration circular no 30/2008 dated 31 December 2008.
- (c) In the preparation of the Reconciliation Statement of the Advance Account, the District Secretariat had prepared the Reconciliation Statement without properly identifying unidentified balances amounting to Rs.162,524 found in the Divisional Secretariats of Pallama and Mahakumbukkadawala.
- (d) Action had not been taken to recover outstanding loan balances of officers/employees who had gone abroad, retired, died, interdicted and vacated post, in accordance with paragraph 4:3 of Director General of Public Finance letter No.PFD/RED/2015/GEN(1) dated 09 October 2015.
- (e) Even though it had been shown in the Reconciliation Statement under the Divisional Secretariat, Mundalama that an amount of Rs.19,553 was due from an officer who had retired on 13 May 2013, it had been observed during the audit that all loans had been recovered at the time of when that officer had retired.

3.6 Good Governance and Accountability

3.6.1 Internal Audit

While the District Secretariat, Puttalam had established an Internal Audit Unit, during the year under review no internal audit had been carried out in the District Secretariat.

3.6.2 Audit and Management Committee

Only 03 meetings of the Audit and Management Committee had been held during the year under review.

3.7 Assets Management

The following deficiencies were observed during the course of audit test checks carried out on 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.

<u>Category of Assets</u>	<u>Units</u>	<u>Value</u>	<u>Period Lying Idle</u> <u>or Under- utilized</u>
		Rs.	
Lands	04	28,377,000	Over one year
Buildings	04	2,973,000	-do-
Motor vehicles	06	Not shown	-do-
Machinery (Finger print machine)	01	Not shown	-do-

(b) Conducting the Annual Board of Survey

Action had not been taken in accordance with Financial Regulations in respect of excesses, deficiencies and other recommendations pointed out by the Board of Survey relevant to the year 2015.

(c) Assets given to External Parties

Instances were observed where certain assets had been released to external parties irregularly by the District Secretariat, Puttalam. Details are given below.

Category of Asset	No.of Assets	Institution Given	Value	Period
-				
			Rs.	
Land	01	Excise building	10,000,000	Not shown
	01	35 th Battalion, Sri Lanka National Cadet Corps	Not valued	Not shown
Building	01	Rehabilitation Office	4,000,000	Not shown
	01	Excise building	1,300,000	Not shown
	01	35 th Battalion, Sri Lanka National Cadet Corps	Not valued	Not shown
	01	Rehabilitation Office	1,000,000	Not shown

3.8 Non-compliances

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

Instances of non-compliances 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

Non-compliance

- (a) Establishment Code of the Democratic Socialist Republic of Sri Lanka

Section 12.2..3 of Chapter VII

Even though the Ministry of Home Affairs had been informed to appoint full time officers in respect of the posts of Divisional Secretary and Administration Officer of the Divisional Secretariat, Kalpitiya which were vacant, action had not been taken to fill those vacancies.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- (i) Financial Regulation 104(2)

No reports had been made available to the Auditor General in respect of vehicle accidents.

- (ii) Financial Regulation 128(2)(c) Even though reports on arrears of revenue should be prepared and submitted to audit in every half year, even the prepared reports had not been submitted to audit.
- (iii) Financial Regulation 257 Payments had been made for vouchers not certified.
- (c) Public Administration Circular

- (i) Circular No.41/90 of 10 October 1990 The fuel consumption of all the vehicles of the District Secretariat, Puttlam and Divisional Secretariat had not been checked once in every 06 months in terms of this circular.
- (ii) Circular No.18/2001 of 22 August 2001 Even though officers serving in island wide services and who had worked in the same services station for 05 years should be given transfer to another place, action had not been taken in respect of officers in several Divisional Secretariats according to this circular.

3.9 Implementation of Projects under Domestic Financing

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

(a) Projects Abandoned without Commencing

The District Secretariat and Divisional Secretariats had not commenced the under mentioned projects.

Project	District Secretariats/ Divisional Secretariats	Estimates Cost	Reasons for not Commencing in Brief
-----	-----	-----	-----
Repair of Maligawatta Community Hall	Divisional Secretary Maha Wewa	Rs. 324,694	Rainy Weather
Construction of the abutment wall of the drainage dam of Maha Wewa	- do-	863,220	Water spilling from the tank sluice of the tank due to rain

Construction of culverts in A and B colonies, Pangoda	- do		366,519	Insufficient provisions
Provision of potable water facilities to Pahala Walahapitiya Horakella Paddy Field Road	- do		100,000	Estimates not been received from the National Water Supply and Drainage Board
Construction of the playground of Iranawila East Fisheries Village using gravel	- do		541,916	Inability to solve problems that had arisen in obtaining gravel during the relevant period.
Repair of the road running from near the house of Mr.Naville, Kandakuliya, Kudawa	Divisional	Secretary	447,198	Bad weather and difficulty in obtaining the contribution of the community.
Repair of Community Hall near the Palliyawatta Battalangunduwa Church	- do-		2,259,612	No society coming forward due to bad weather and transport difficulties.
Installation of 4 turnable gates to the Kunkuttuwa dam of the Kudiyirippu tract	Divisional	Secretary,	688,668	The relevant area being under water due to subsequent intermittent heavy rains as a result of the construction design being submitted late by the Highways Department, North Western Province.
Development of the middle channel in the center of the Paddy Field belonging to the Kudirippu Farmers Association	- do-		414,358	

(b) Projects Abandoned without Completing

By the end of the year under review, the Anamaduwa Divisional Secretariat had spent a sum of Rs.278,272 for the project for the construction of sluices of the Galatabendiyawa/ThimbiriPokuna/Bemme tanks, the estimated expenditure of which was Rs.600,272. However, due to wild elephants walking across the bund after it was constructed, damage had been caused to the bund. Due to the contractor finding it difficult to repair it again within the estimated amount, the project had been abandoned without completion.

(c) Delays in the Execution of Projects

Delays in the execution of the following projects by the District Secretariat and Secretarial Divisions were observed:

Project	Divisional Secretariat	Estimated Cost	Date of commencement	Date due to be completed	Date Completed	Expenditure as at 31.12.2015	Reasons for delay
-----	-----	-----	-----	-----	-----	-----	-----
Construction of a community hall in H 7 village	Anamaduwa	1,381,665	Not shown	Not shown	Not shown	Rs. 365,608	Delays of the contracting society in obtaining raw materials due to the bad weather that prevailed
Construction of Divulwewa water tank	- do-	1,231,212	- do-	- do-	- do	620,344	
Construction of the Dhamma school building in the premises of the Horagolla Church	1,078,438	- do-	- do-	- do-	- do	120,932	

(d) Projects without Progress Despite the Release of Money

Instances were observed where there was no proper progress despite the total amount of money relating to constructions being released to the Water Supply and Drainage Board

Project	Divisional Secretariats	Estimate Cost	Amount of money Released	Present Position as at 31.12.2015
-----	-----	-----	-----	-----
		Rs.	Rs.	
Extension of the water supply up to the river mouth	Chilaw	259,430	259,430	Water connection not given
Munneswaram Walukulama Potable Water Project	- do-	661,018	661,108	Pipe lines not laid. Water supply not given

3.10 Deficiencies in the Operation of Bank Accounts

Balances to be Adjusted

According to the Bank Reconciliation Statements prepared by the District Secretariat Puttalam for the month of December 2015, cheques to the value of Rs.15,994 belonging to 04 Secretarial Divisions had been issued, but not presented for payment. Action had not been taken in respect of 05 expired cheques in terms of Financial Regulation 396 (d).

3.11 Transactions of Contentious Nature

There was a paddy field near the well from which it had been proposed to obtain water by providing a motor and constructing a housing for the motor to obtain water from Neelabemma for the Ihala Puliyankulama Water Supply Scheme of the Karuwalagaswewa Divisional Secretariat. Due to the area going under water during the cultivation period as a barren land, it was a matter of contentious nature whether the agro chemicals and heavy metals in fertilizer would not get mixed with water.

3.12 Irregular Transactions

Deviation from the Government Procurement Guideline Procedure

While an order had been given for the purchase of 231 canopy huts of the size 10'x15' for Rs.7,854,000 at the rate of Rs.34,000 per unit, to be made available to Community Based Organizations of the District under the Divisional Development Programme, in the process of this purchase, the following provisions of the Government Procurement Guide Line had not been adhered to.

Government Procurement Guidelines

Details

Guidelines 4.3.1 (a), (b), (c)	Neither a design nor an estimate had been prepared.
Guideline 4.3.1	A Technical Evaluation Committee had not been appointed.
Guideline 3.2.2 (a)	Competitive bids had not been called by publishing the newspaper advertisements also in the websites of the National Procurement Agency.
Guidelines 5.3.10, 11, 12 and 13	No conditions had been incorporated that details of the validity period of bids and bid guarantees or bid guarantee statements should be forwarded.
Guideline 6.3.1 (b) and (c)	No condition had been laid down that the said quotations should be in duplicate and delivered in sealed envelopes in submitting bids.
Guideline 6.3.4	Details of the opening of quotations were not shown.
Guidelines 3.12.1 (c), (d) and 3.12.2 (II)	Before manufactures were selected, through internet their prequalification's had not been examined.
Guideline 7.11.1	This Community had not prepared a Bid Evaluation Report, as a Technical Evaluation Committee had not been established.

3.13 Losses and Damages

Even though the ownership had been taken over on 21 June 2013, of lot 1 of preliminary plan No.4905, in extent 0.0997 Hectares valued at Rs.,9,850,000 for the laying of water pipes of the Chilaw Water Supply Scheme in Secretarial Division of Chilaw, compensation had not been paid even by 10 October 2015. In accordance with circular No. L/03J/93/1 dated 13 October 1993 of the Commissioner General of Lands and circular no ID/05/D 08 dated 13 October 1993, a sum totalling Rs.1,706,512 had to be paid as a fine and withholding tax respectively.

3.14 Uneconomic Transactions

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

- (a) While walls had been constructed by the District Secretariat, Puttlam, up to roof level in the community hall building of No. 618 Puttlam South, its work had been stopped as no provisions had been made to complete the balance work of the construction. Abandoning for a long time a work a half-finished in this manner in a saline environment such as Puttlam has been observed as an instance of government funds being used idly.
- (b) A provision of Rs.350,695 had been given under the 100 Day Development Programme by the Karuwalagaswewa Secretarial Division under the project to obtain a motor to supply water from Neelabemma and for the construction of a housing for the motor in respect of the Ihala Puliyankulama Water Supply Scheme. Out of this, Rs.257,467 had been spent. While there was no written evidence whatsoever that the water from the cultivation well from which it had been proposed to obtain water was suitable for consumption, according to the report issued by Zonal Laboratory, Puttalam of the Water Supply and Drainage Board, it had been reported that E coli and Coliform bacteria were included in the water and that the quantity of ammonia and the high concentration of fluoride is harmful to health. Accordingly, it had not been possible to achieve the anticipated objectives of this project.

3.15 Management Weaknesses

In the course of test audit checks, the following weaknesses were observed.

- (a) Even though a Public Management Assistant officer had been appointed to act in the post of Administration Officer by letter No.A/4/6/10 dated 23 January 2011 of the District Secretary, Puttalam, subject to the covering approval of the Secretary of the Ministry of Home Affairs, for the post of Administration Officer that was vacant in the Navagattegama Divisional Secretariat, a sum of Rs315,356 had been paid as acting allowance from February 2011 to August 2015, without obtaining a formal approval. Even after it was pointed out in audit about the payment of acting allowances for acting in the post of Administration Officer, no action had been taken to rectify it.
- (b) Under the Deyata Kirula Programme of the year 2014, it had been proposed to construct the potable water tank of the Neelabemma Water Supply Scheme in two stages. While the first stage had been completed and bills settled, an advance of 20 per cent of the contracted value had been given for the second stage. In the course of the physical audit, it was observed that work had not commenced there, and it was observed that the relevant parties had been induced to misappropriate public money by the officers without a sense of responsibility who had taken action to settle the advance that had been paid as at 31 December 2014, by preparing the payment reports for Rs.229,973, making use of false measurements (without preparing measurement sheets).

- (c) The contracted value of the construction of the Maduragama community hall that had been executed under continuation works of the Palath Neguma Programme of the year 2014, had been Rs.1,265,220 Even though Rs 596,862 had been paid to the contracting society for 08 items completed, its constructions had been stopped. No legal action whatsoever had been taken in accordance with the contract against the contracting society for contravening the agreement.
- (c) A local voluntary society had been awarded the contracts for Rs.1,250,000 in respect of concreting the road near the Kattakaduwa tank and for paving the Pulleyar Kovil Road with concrete metal in the Mundalama Divisional Secretariat. The contracts had been awarded without establishing the financial viability of the society, without establishing the technical know-how for executing the work and obtaining other resources.
- (e) The Pallama Divisional Secretariat had not prepared the measurement reports of the 03 projects in respect of the development of the playground of the Mandalana Vidyalaya, Puliyankulam, construction of the Dhamma school building, Wathupola and the construction of a toilet for the Dhamma school of the Noor Mosque, executed under the Dorin Dorata - Gamin Gamata Programme under the Rehabilitation of 15000 villages.

3.16 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position relating to cadre as at 31 December 2015 is as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	56	43	13	--
(ii) Tertiary Level	34	15	19	--
(iii) Secondary Level	1136	960	176	--
(iv) Primary Level	175	165	10	--
(v) Other (Casual/Temporary/Contract basis)	--	01	--	01
Total	1401	1184	218	01

The following observations are made in this regard.

- (a) The District Secretariat had not taken action to obtain a formal approval in respect of an employee recruited on a casual basis.

(b) Irregular release of Human Resources to other Parties

A Development Officer attached to the Puttalam District Secretariat had been released to the General Hospital, Puttalam, without stating the specific periods.