

Report of the Auditor General on Head 275 – District Secretariat, Polonnaruwa -Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 275 - District Secretariat, Polonnaruwa 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 12 October 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. 955.70 million and out of that Rs. 568.99 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision amounted to Rs. 386.71 million or 40.46 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	351.50	340.53	10.97	3.12
Capital	604.20	228.46	375.74	62.19
Total	955.70	568.99	386.71	40.46

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

Provisions totalling Rs. 603.75 million had been made available by other 20 Ministries and 17 Departments for various activities and out of that provisions, a sum of Rs. 593.64 million had been utilized.

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 under Item No.27501 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
26.89	21.07	18.00	18.35	96.00	80.91

2.3 General Deposit Accounts

The balances of the 07 Deposit Accounts of the District Secretariat as at 31 December 2015 amounted to Rs. 247.68 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0001/0116/000	0.01
6000/0000/00/0002/0164/000	0.42
6000/0000/00/0013/0118/000	81.08
6000/0000/00/0016/0108/000	164.61
6000/0000/00/0017/0030/000	0.91
6000/0000/00/0018/0108/000	0.51
6000/0000/00/0019/0226/000	0.14
Total	247.68

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the District Secretariat, Polonnaruwa 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, Polonnaruwa and 07 Divisional Secretariats had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
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(a) Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978	Not maintained by the Divisional Secretariats. Hingurakgoda and Medirigiriya.
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002	Not maintained by the Divisional Secretariats, Thamankaduwa and Medirigiriya.
(c) Cash Book/ Petty Cash Book	Financial Regulation 446	Cash books had not been maintained by Divisional Secretariats Thamankaduwa, Hingurakgoda, Medirigiriya and Dimbulagala, and Petty Cash Books had not been maintained by Divisional Secretariats, Thamankaduwa and Medirigiriya.
(d) Register of Cheques and Money Orders	Financial Regulation 451	Not maintained by Divisional Secretariat, Medirigiriya.
(e) Register of Telephone Calls	Financial Regulation 850(1)	Not maintained by Divisional Secretariats, Lankapura, Hingurakgoda and Medirigiriya.
(f) Security Register	Financial Regulation 891(1)	Not maintained by Divisional Secretariats, Lankapura, Hingurakgoda and Medirigiriya.

(g)	Register of Counterfoil Books	Financial Regulation 341	Not maintained by Divisional Secretariats, Lankapura and Medirigiriya.
(h)	Register of Listing of Vehicles or Register of Assets of the Motor Vehicles.	Financial Regulation 1647(e) and Treasury Circular No. IAI/2002/01 dated 23 August 2002	A Register of Listing of Motor Vehicles or Register of Assets of the Motor Vehicles had not been maintained by the Divisional Secretariats, Hingurakgoda, Thamankaduwa and Medirigiriya.
(i)	Attendance Register of the Procurement Committee and Technical Evaluation Committees	Guideline 2.11.2 of the Government Procurement Guidelines	Not maintained by the Divisional Secretariat, Medirigiriya.
(j)	Register of Bids Invitation	Guideline 5.2.1 of the Government Procurement Guidelines	Not maintained by the Divisional Secretariats, Hingurakgoda, and Dimbulagala.
(k)	Daily Receipts/ Payments Memorandum Account	Public Accounts Circular No. 157/2000 of 27 December 2002.	Not maintained by the Divisional Secretariats, Medirigiriya and Thamankaduwa.

3.2 Lack of Evidence for Audit

The following observations are made.

- (a) The details in respect of money granted to 27 Rural Organizations projects established in the Divisional Secretariat area, Medirigiriya under “Gamidiriya” project implemented by the Ministry of Economic Development had not been furnished to audit.
- (b) No any document was made available for audit on CIGAS programme in respect of daily receipts and payments made in the year 2015 of the Divisional Secretariat, Medirigiriya. Further, the conserved computer file of the cash book of CIGAS programme for the year 2015 was not made available for audit as well.

3.3 Appropriation Account

3.3.1 Budgetary Variance

Excess Provisions had been made for 14 Objects and as such the savings after the utilization of provisions ranged between 8 per cent to 94 per cent of the net provisions relating to the respective Objects.

3.3.2 Provision made available by other Ministries and Departments

Provisions totalling Rs. 603,748,037 comprising Rs. 432,157,157 and Rs.171,590,880 had been made available for various activities by other 20 Ministries and 17 Departments respectively to the District Secretariat. Out of that, provisions totalling Rs. 593,637,112 comprising Rs.425,186,521 and Rs.168,450,591 had been utilized respectively. Accordingly, provisions totalling Rs. 10,110,925 comprising Rs. 6,970,636 and Rs. 3,140,289 or 1.8 per cent of the provisions made available had been saved.

3.4 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 71 deposits older than 2 years totalling Rs. 29,717,141.

3.5 Advances to Public Officers Account

The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No.27501.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained recoverable from the officers deceased and retired totalled Rs. 2,294,209. Even though balances of Rs. 1,085,430 included in those balances remained outstanding for a period ranging from 01 year to 03 years, the follow-up action on the recovery of those outstanding balances had been at a weak level.
- (b) Action had not been taken in respect of the outstanding loan balances of two retired officers amounting to Rs. 293,090 remained over a period of 10 years in terms of Sub-section 4.2.5 of Chapter XXIV of the Establishments Code.
- (c) Out of the loan balances amounting to Rs. 1,192,956 remained recoverable from 08 officers transferred out from the District Secretariat, 06 loan balances of Rs. 819,656 had remained outstanding for a period ranging from 1 year to 2 years. But action had not been taken by the District Secretariat to recover those balances.
- (d) The loan balances recoverable from 03 officers who vacated of posts amounting to Rs. 165,895 had remained outstanding for a period ranging from 2 years to 6 years, while action had not been taken by the District Secretariat to recover those balances.

3.6 Good Governance and Accountability

3.6.1 Annual Action Plan

An annual Action plan had not been prepared by the District Secretariat in terms of Public Finance Circular No. 01/2014 dated 17 February 2014.

3.6.2 Annual Procurement Plan

Provisions of Rs.206.5 million had been approved by Parliament as per the Annual Budget Estimate to obtain goods and services according to the Government Procurement Guidelines. The Procurement Plan had not been prepared to utilize those provisions in terms of the National Budget Circular No. 128 dated 24 March 2006.

3.6.3 Internal Audit

Even though, an Internal Audit Unit had been operated in the District Secretariat an internal audit had not been carried out in respect of construction contracts implemented in the year under review.

3.6.4 Annual Performance Report

Even though, the performance Report of the District Secretariat should be tabled in Parliament within 150 days after closure of the financial year in terms of Public Finance Circular No. 402 dated 12 September 2002, the Performance Report for the year 2015 had not been tabled in Parliament even by 15 July 2016.

3.7 Assets Management

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

(a) Idle and Underutilized Assets

The following observations are made.

- (i) Certain assets categorized below had been either idle or underutilized.

Category of Assets	Number of Units	Idle or Underutilized Period	
		Over 01 year Less than 03 years	Over 03 years
(i) Buildings	12	09	03
(ii) Motor Vehicles(Motor Bicycles)	03	03	-
(iii) Machinery	14	14	-

- (ii) Balances totalling Rs. 11,475,306 in 2156 Bank Accounts under Divineguma Community Based Bank of the area of the Divisional Secretariat, Elahara had remained idle for over a period of 2 years.

(b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) In terms of the Treasury Circular No. 02/2014 dated 17 October 2014 the Annual Boards of Survey 2015 should be conducted and the reports should be furnished to the Auditor General before 17 March 2016. Nevertheless, the Annual Boards of Survey Reports of the District Secretariat, Polonnaruwa and Divisional Secretariat, Medirigiriya had not been made available for audit even by 31 May 2016.
- (ii) The annual surveys on Government quarters and lands of those quarters belonging to the District Secretariat and the Divisional Secretariats had not been carried out during the year and in the previous years.
- (iii) The annual surveys relating to all vehicles belonging to the District Secretariat and the Divisional Secretariat had not been carried out.

(c) Assets given to External Parties

An official quarters of the Divisional Secretariat, Hingurakgoda had been given to maintain as an office of the Civil Security Forces with entering into an agreement for the period from 21 March 2008 to 10 September 2013. Action had not been taken to obtain the quarters after the agreed period while action had not been to recover the rental recoverable amounting to Rs. 23,688 for the period from September 2013 to July 2016.

3.8 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.

Reference to Laws, Rules and Regulations	Value	Non -compliance
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka		
(i) Chapter XII Sub -section 22.3	-	In computation of 35 days of no – pay leave of an officer of the Divisional Secretariat, Thamankaduwa, weekend and public holidays had not been taken into consideration.
(ii) Chapter XIX Sub - section 4.4	-	Out of Government quarters belonging to District Secretariat, Polonnaruwa, 13 quarters had been given to officers who were employed in other Government institutions whereas approval of housing committee as well had not been obtained thereon.
(iii) Chapter XIX Sub - section 6.1	-	It was observed that seven officers had occupied common amenities quarters belonging to District Secretariat, over a long period exceeding 05 years which is the limit of the period.

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

(i)	Financial Regulation 104(1)(a)	-	Action in terms of Financial Regulations had not been taken on accident caused to the cab vehicle belonging to the Divisional Secretariat, Lankapura on 27 June 2014 and the accidents caused to the cab vehicle belonging to Divisional Secretariat, Dimbulagala on 22 November 2014 and 19 February 2015.
(ii)	Financial Regulation 115	104,079	The District Secretariat, Polonnaruwa had made payments for supplying of fruit plants to the Government institutions without obtaining an approval.
(iii)	Financial Regulation 396	873,871	Action in terms of Financial Regulations had not been taken on 47 cheques totalling Rs.873,871 issued by the District Secretariat and 6 Divisional Secretariats and not presented for payment which elapsed over 06 months period.
(iv)	Financial Regulation 751(1)	-	The goods amounting to Rs. 109,153 received by the Divisional Secretariat, Medirigiriya and 65 water tanks received by the District Secretariat, Thamankaduwa had not been included in the Inventory Registers. A stock of 81 towels, 20 sets of cooking utensils and 43 bed sheets received by the Disaster Management Section had not been entered in the stock books.

(c) Public Finance Circular

	----- Circular No 3/2014(1) dated 10 March 2015	46,599	The expenditure of the monthly official telephone bills of the officers employed in the Divisional Secretariat, Dimbulagala had exceeded the limit by Rs. 27,399.
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3.9 Foreign Aid Projects

Benefits after Completion of the Projects

The following observations are made.

- (a) A sum of Rs. 611.38 million had been given to 157 Rural Organizations of the Polonnaruwa District under Gami Diriya Project by 30 November 2014. But no follow - up action and a supervision in respect of revolving loans thereon had been executed by the responsible officers.
- (b) A sum of Rs. 50,648,857 had been given to 20 Rural Organisations in the area of Divisional Secretariats, Thamankaduwa, Lankapura and Hingurakgoda of the Polonnaruwa District under “Yali Pibidemu Project” in the preceding years. The supervision and the follow – up action in respect of utilizing of those money for expected objectives had not been executed by the responsible officers.

3.10 Implementation of Projects under Domestic Financing

Projects without Progress Despite the release of Money

The following observations are made.

- (a) The stock of equipment including machines purchased in the year 2015, by incurring a sum of Rs. 980,000 for commencing a bag production factory in the Divisional Secretariat Division, Elahera had not been utilized for the intended purpose even by 30 April 2016.
- (b) A building had been constructed by incurring a sum of Rs.882,000 in December 2014 for commencing a factory to produce clay pans and ornamental goods in the Divisional Secretariat Division, Elahera without a feasibility study. The activities of the respective industry had not been commenced even by April 2016.
- (c) Machinery and Equipment had been purchased by incurring a sum of Rs. 700,000 in the year 2013 to establish a factory for coir related products in the Divisional Secretariat Division, Elahera. A sum of Rs. 2,494,850 had been invested after incurring a sum of Rs. 1,794,850 further from the year 2013 to 2015 for the project. Nevertheless, the respective production activities had not been commenced even by April 2016.
- (d) Even though provisions of Rs. 100,000 had been made for 2 Livelihood Development Projects in the Divisional Secretariat Division, Elahera, those provisions had not been utilized even by the end of the year under review.
- (e) Out of the Minor Irrigation Reconstruction Projects damaged from the floods in 2015, seven Projects amounting to Rs. 1,008,170 had not been implemented.

3.11 Deficiencies in the Operation of Bank Accounts

Balances for Adjustments

Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements prepared by the District Secretariat, Polonnaruwa and Divisional Secretariats for December 2015 is 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) Cheques issued but not presented for payment to the Bank	71,956,339	313,537	71,909,876
(ii) Unidentified Credits	9,838,134	-	9,838,134
Total	81,434,473	313,537	81,748,010

3.12 Transactions of Contentious Nature

New cheques had been written again on 05 April 2016 for 22 cheques valued at Rs. 2,759,830 drawn on 31 December 2015. It was ensured in audit examination carried out on 07 April 2016, that the new cheques had been kept in the custody of the Manager, Divineguma Head quarters, Elahera and it was observed that the goods in respect of the cheques prepared had not been supplied by the suppliers even by June 2016.

3.13 Irregular Transactions

Certain transactions entered into by the District Secretariat and some Divisional Secretariats had been devoid of regularity. Several such transactions revealed in the course of audit test checks are given below.

(a) Deviation from the Government Procurement Guidelines Procedure

The following observations are made.

- (i) The pages of the Procurement Register of the Divisional Secretariat, Medirigiriya had not been numbered and the postings had been made leave out the pages. Twenty two procurement decisions had not been signed by the 2 members of the Procurement

Committee and 24 procurement decisions had not been signed by one member. The Chairman of the Procurement Committee had made signatures on blank pages in which no details had been entered relating to the procurement decisions.

- (ii) In making procurements under shopping procedure, the Divisional Secretariat, Lankapura had taken actions deviating from the legal terms such as inviting minimum limited quotations required for Regional Procurement Committee, time given less than the minimum time to be given in inviting bids, quotations invited without detailed specifications, and the trade name mentioned in inviting quotations.
- (iii) As the quotations had been invited through various divisions in purchasing, by the District Secretariat, the purchases and the procurement process thereon had been carried out without a transparent method.
- (iv) The quotations had not been obtained annually for the maintenance of the canteen in the District Secretariat and as such the Procurement process had not been followed. The canteen had been given to a one person from the year 2010.

(b) Transactions without Authority

In terms of the letter No. PFD/PMD/GEN/003 of the Director General Public Finance dated 29 May 2014, the authority limit of the procurement of goods and services had been revised subject to the maximum limit of Rs. 1 million under shopping procedure for the Regional Procurement Committees. Contrary to that, the goods had been purchased following the shopping procedure by splitting whole purchase into several items through 21 procurement decisions for the purchase of goods amounting to Rs. 3,397,143 under the Livelihood Development Programme without a technical evaluation. A sum of Rs. 60,500 had been over paid as the bills furnished for respective purchases amounting to Rs. 2,669,692 were not proper bills, the payments had been made less than the bill value by Rs. 170,476 and the purchases were not made from the institution who furnished the lowest quotation.

- (c) The Divisional Secretariats, Welikanda, Lankapura and Dimbulagala had written 41,34 and 6 cheques valued at Rs. 2,059,795, Rs. 8,467,503 and Rs. 1,658,345 respectively for the goods not supplied to the offices as at 31 December 2015 and for the projects not executed. Those cheques had been retained in hand by the respective Divisional Secretariats even by 8 March 2016.

3.14 Transactions in the Nature of Financial Frauds

The following observations are made.

- (a) As the details of the death of a samurdhi beneficiary lived in the Grama Niladhari Division, Udawela on 09 March 2013 had not been reported duly, the samurdhi relief funds had been obtained even until end of the year 2015.

- (b) An attempt to obtain fraudulently the samurdhi relief funds collected in an account amounting to Rs. 18, 920 received to the account from the year 2010 to 2015 without informing the respective beneficiary had failed. It was observed that there was a connection of the management of the bank with this matter including Samurdhi officer of the Division. Even though nearly one year had elapsed for the audit query issued in connection with this, proper action had not been taken.
- (c) Divineguma Development Officer in the 167 – Pothgul area and the Divineguma Community Based Bank Manager of Parakrama Samudrya had forced to deposit a sum of Rs. 2,000 from each member as a compulsory saving and collected a sum of Rs. 28,550 from 39 members without being issuing any receipt. It was revealed at the field audit inspection on 10 April 2015, that nine receipts valued at Rs. 16,600 were issued indicating a future date as 14 April 2015, in examination of receipt books of Divineguma Development Officer of 164 – Parakrama Samudrya.

3.15 Losses and Damage

The following observations are made.

- (a) A cab vehicle of the Divisional Secretariat, Lankapura had met with an accident on 01 November 2015 and a loss of Rs. 187,750 had been incurred. An indemnity of Rs. 115,621 only had been reimbursed by an insurance company. Accordingly, action had not been taken to recover the loss amounting to Rs. 72,123 from the responsible party.
- (c) As the cab vehicle belonging to the District Secretariat, Polonnaruwa had met with an accident on 24 August 2013, it was decided to recover a sum of Rs. 149,450 from the responsible party which had not been covered by the insurance indemnity. Nevertheless, action had not been taken to recover that amount even by June 2016.
- (d) The losses incurred amounting to Rs. 29,225 and Rs. 648,625, due to accidents caused to two vehicles belonging to the District Secretariat, Polonnaruwa in the years 1996 and 2005 respectively had not been recovered from the responsible parties.

3.16 Management Weaknesses

The following observations are made.

- (a) According to the accounting particulars of 02 Divineguma Community Based Banks of Attanakadawala and Elahera in the area of the Divisional Secretariat, Elahera, action had not been taken to recover the loan balances of Rs. 42,643,612 recoverable from 223 persons.
- (b) According to the Reports of the Grama Niladhari made available for audit, it was observed that, respective licenses had not been obtained for 25 metal quarries, 51 bricks firesides and

one gravel digging place in the area of the Divisional Secretariats, Medirigiriya, and Elahera in terms of the provisions of the Mines and Minerals Act No. 33 of 1992.

3.17 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre of the Ministry as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	38	33	5
(ii)	Tertiary Level	427	232	195
(iii)	Secondary Level	568	477	91
(iv)	Primary Level	103	86	17
	Total	1,136	828	308

The following observations are made.

- The duties had not been assigned in writing for the 37 Economic Development Officers attached to the Divisional Secretariat, Medirigiriya.
- Action had not been taken to fill 04 posts of Divisional Secretaries which remained vacant.
- Action had not been taken to fill the vacant post of the Administrative Officer of the Divisional Secretariat, Elahera from September 2014, and action had not been taken to grant a formal appointment to the officer of the Management Assistance Service who appointed as acting for the post.
- Administrative Grama Niladhari post of the Divisional Secretariat, Elahera had remained vacant from the year 2012 while an acting appointment had been made for a one year period from 01 January 2015. But after that without making an extension of the period, the service of the respective officer had been obtained.
- It was observed that the staff of the Divisional Secretariat, Elahera had been employed in same work station without making station transfers for a period ranging from 6 years to 27 years.
- Forty excess cadre had existed comprising 03 Officers of Management Assistant Service, 26 Development Officers, 02 Assistant Development Officers, 04 Development Field Officers, 01 KKS Service Labourer under the Ministry of Technology and Research and 04 KKS Service officers under the Ministry of Public Administration more than the approved cadre in the Divisional Secretariat, Thamankaduwa.