

Report of the Auditor General on Head 278 – District Secretariat, Ratnapura -Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 278 District Secretariat Ratnapura for the year ended 31 December 2016 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 06 June 2017. 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. 980.00 million and out of that Rs. 937.04 million had been utilized by end of the year under review. Accordingly, the savings out of the net provision of the District Secretariat amounted to Rs. 42.96 million or represented 4.38 per cent of the net provisions. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	771.00	763.20	7.80	1.01
Capital	209.00	173.84	35.16	16.82
Total	980.00	937.04	42.96	4.38

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

Provisions totalling Rs. 3,503 million had been made available by 29 other Ministries and 17 Departments for various activities and Rs. 2,448 million had been utilized by the end of the year under review. Accordingly, provisions of Rs. 1,055 million or 30 per cent out of the provision had been saved.

2.2 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.27801 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
53.00	52.82	40.00	45.98	220.00	158.62

2.3 General Deposit Accounts

The balances of 07 Deposit Accounts of the District Secretariat as at 31 December 2016 totalled Rs. 551.11 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. Millions
6003/0000/00/0054/0000/000	(2.29)
6000/0000/00/0002/0056/000	1.62
6000/0000/00/0013/0043/000	2.36
6000/0000/00/0018/0013/000	33.12
6000/0000/00/0001/0042/000	4.36
6000/0000/00/0016/0011/000	317.32
6000/0000/00/0017/0002/000	194.62
Total	551.11

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements of the District Secretariat, Ratnapura for the year ended 31 December 2016 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 Reconciliation Statement of the Advance to Public Officers Account

According to the Reconciliation Statement as at 31 December 2016, the balances that remained outstanding as at that date totalled Rs. 2,614,964. Out of that, the balances of Rs. 90,050, Rs.333,795 and Rs. 2,191,119 had remained outstanding for over 08 years, between 4 years to 8 years and less than 2 years respectively. Nevertheless action had not been taken to settle those balances even by the end of the year under review.

3.2 General Deposit Account

The following observations are made.

- (a) The retention money amounting to Rs. 335,900 obtained from 02 projects by the Divisional Secretariat, Imbulpe in respect of the years 2011 and 2013 had been retained in the General Deposit Account without being released or being credited to the Government Revenue.
- (b) A sum of Rs. 93,273 had been retained in the Deposit Account for the possible defects after completion of the contracts executed through Community Societies by the Divisional Secretariats, Kalawana and Imbulpe. Even though the defect liability period had elapsed, action had not been taken by those offices either to release the respective retention money or credit to the Government Revenue even by the end of the year under review.

3.3 Non - compliance with Laws, Rules and Regulations

Instances on 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	Value	Non - compliance
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	Rs.	
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(a) Financial Regulations 177 and 382	425,100	The daily cash collections of Divisional Secretariats of Kuruwita, Kahawatta and Elapatha had been deposited in the bank with a delay of a period ranging from 2 days to 7 days in 30 instances.
(b) Financial Regulation 395(h)		- Preparation of Bank Reconciliations, writing cheques and reports send through CIGAS Programme in the Divisional Secretariat, Kiriella had been assigned to a same officer.
(c) Financial Regulation 371 as amended by Public Finance Circular No. 03/2015 dated 14 July 2015.	332,950	Even though, the adhoc sub - imprests obtained for various purposes should be settled within 10 days after the completion of the purpose, 23 adhoc sub - imprests of the Divisional Secretariats, Embilipitiya, Imbulpe, Kahawatta and Elapatha had been settled with a delay of a period ranging from 11 days to 80 days.

3.4 Implementation of Projects under Domestic Financing

Projects not Executed Adequately

Several instances of projects not executed adequately revealed during audit test checks are given below.

- (a) The following observations are made during the course of audit test checks on Revolving Loan Programme carried out by the Sri Lanka Women's Bureau in 04 Divisional Secretariats in the area of District Secretariat, Ratnapura.
- (i) The loans obtained by the beneficiaries under the above Revolving Loan Programme, should be settled by 10 installments. Even though, the loan installments totalling Rs. 110,353 which should be settled by the beneficiaries of

the Divisional Secretariat Divisions of Embilipitiya, Kuruwita and Imbulpe had remained outstanding for a period ranging from 1 ½ years to 07 years exceeding the allowed period, the offices had failed to recover those balances.

- (ii) The average remaining balance in the Revolving Loan Accounts of the Divisional Secretariats, Ratnapura and Embilipitiya from the year 2014 amounted to Rs. 1,068,260. Those money had remained idle in the bank accounts without taking actions to provide loans for the beneficiaries out of that money even by the end of the year under review.
 - (iii) The former Treasurer of a society of the Divisional Secretariat, Embilipitiya had defrauded a sum of Rs. 43,700 belonging to the Revolving Loan Programme.
- (b) A housing aid programme for the disabled persons had been implemented by the National Secretariat for Disabled Persons. Under that programme, the name list of the beneficiaries furnished to that Secretariat by the Divisional Secretariat, Kahawatta had not been approved. Therefore a sum of Rs. 80,000 only had been paid to one beneficiary from the year 2010 upto August 2016 under the above programme.
- (c) Even though, it was planned to issue Electronic National Identity Card in the year 2014 instead of the National Identity Card remained at present, the Department of Registration of Persons had not taken action accordingly and as such the following expenditure incurred by the District Secretariat had become fruitless.
- (i) A large amount of stocks of application forms, guidelines, banners, ink and required accessories received by the Divisional Secretariats, Embilipitiya and Imbulpe had remained idle since about 2 years in the respective Divisional Secretariats even by August 2016.
 - (ii) A sum of Rs. 214,370 had been spent by 03 Divisional Secretariats to train the officers for that project. Even though, a period of 03 years had elapsed after commencing the project, even one National Electronic Identity Card had not been prepared.
- (d) The following observations are made on the progress of the implementation of the Jaggery Palm Products Development Programme implemented by the Ministry of Industries and Small Enterprises Development from the year 2010 in the Divisional Secretariat Division, Kalawana.
- (i) Even though, 510 applications had been received for registration, 22 identity cards or less than 4 per cent had been issued even by May 2016.
 - (ii) The Jaggery Palm plants had not been provided to the producers of the Jaggery products as decided. Even though, it was decided to provide a set of economic

equipment at free of charge for them in the year 2012, it had not been executed, as well.

- (iii) Action had not been taken to include even one Jaggery Palm Producer for the “Randiya” Pension Scheme commenced with effective from January 2011 for the Jaggery Palm producers by the Ministry of Public Administration and Home Affairs.
- (e) Even though, the constructions of the office of the Kalawana, Wevalkandura Seva Piyesa had been commenced in the year 2010 by spending Rs. 205,900, it had not been completed even by May 2016.
- (f) The programme for Providing Nutritional Food to the pregnant mothers of the Kiriella area had been implemented from the provisions received from the State Ministry of Child Affairs in the year 2015. Provisions of Rs. 1,984,000 or 37 per cent out of the provisions received had been saved by the end of the year 2015. Distribution of Nutritional Baskets had been carried out only from March until August 2015. Seven hundred beneficiaries out of 1225 beneficiaries of Kuruwita area only had been given Nutritional Baskets. The quality of the above food baskets had not been confirmed by a responsible officer.
- (g) The establishment of District Agri Entrepreneurship Society and to select the best agri Entrepreneur in the district and award the certificates should have been done under Youth Agri Entrepreneurship Operating Programme implemented by the Ministry of Agriculture. Nevertheless, it had not been so done. Similarly, under the Commercial Farm Programme – 2015, District Society of Commercial Farm had not been established.
- (h) Under the project of Strengthening of Widows and Household Women Economically, implemented by the Sri Lanka Women’s Bureau, the issuing loans had been suspended by the Divisional Secretariat, Ratnapura from December 2013. The cash balance in the savings account maintained thereon amounting to Rs. 109,585 had remained under – utilized since that date even by February 2017.
- (i) The following deficiencies were observed in the disaster relief activities as the provisions had not been granted by the Ministry of Disaster Management for the District Secretariat.
 - (i) The relief of Rs. 3,424,000 payable for the houses damaged in the years 2014 and 2015 in Elapatha area had not been paid even by December 2016. Similarly, the eroded road which directed to 35 Acres land and the broken retaining wall of the Palawela Temple road had not been repaired, and no secured action whatsoever had been taken on Giripagama Village which faced to a risk of an earthslip and the houses damaged in the Grama Seva divisions of Niriella, Batakada and Palawela.
 - (ii) The payment of relief payable amounting to Rs. 1,796,100 for the houses damaged during the years 2014 and 2015 in the Kahawatta area had been delayed even up to January 2017. Furthermore, 20 houses with medium risk were remained in the

Andana area. As a rectification thereto, the lands belonging to Andana Estate could not be acquired even by August 2016.

- (iii) A sum of Rs. 327,914 had not been paid to the respective beneficiaries even by June 2017 for the houses damaged due to disasters occurred during the years 2014 and 2015 in the Kuruwita area.
- (j) Two items of work amounting to Rs. 288,484 only had been completed out of 22 items of estimated work of the reconstruction of Imbulpe, Kattadikanda Road. Accordingly, all the balance construction work amounting to Rs. 751,518 had not been executed. Therefore a sum of Rs. 220,805 had not been recovered from the contractor as damages for abandoning of work as per the agreement.
- (k) In the examination of a sample of 15 works executed in the 05 Divisional Secretariats, certain items of work totalling Rs. 1,927,253 had remained without being carried out properly.

3.5 Transactions of Contentious Nature

Certain transactions entered in to by the District Secretariat had been of contentious nature. Particulars of several such instances observed during the course of test checks appear below.

- (a) A sheet coverage with a Half Globular type Roof in a size of 75'x30'x20' valued at Rs. 436,500 had been given by the Divisional Secretariat, Godakewela to a Community Society. That society had not explained the requirement of such type of large sheet coverage and the storage facility for it was not made available for the society.
- (b) Contrary to the Public Administration Circulars No. 7/92 dated 18 February 1992 and No. 22/99 dated 08 October 1999, Assistant District Secretary, Ratnapura who was a Class III officer of the Sri Lanka Administrative Service, had utilized the Government vehicles for her Private use. Fuel amounting to Rs. 110,142 had been incurred for 2 vehicles utilized by her during 29 months.
Action had not been taken relating to the misuse of vehicles in terms of Sub -section 8.2 of Chapter XLVII of the Part II of the Establishments Code and action had not been taken to report to Disciplinary Authority to take required disciplinary actions in terms of the Sub -section 1.4 of the same Chapter.
- (c) It was proved by a letter of the District Secretary, Ratnapura, that action had been taken by the Divisional Secretary, Kuruwita to obtain approval of the Land Commissioner for leasing out the land plots to a company by hiding information that some persons had possessed the land plots on annual lease basis. It was observed that preparation of an annual permit to occupy a Government land on the permission obtained by hiding information is an offence of preparing fudge state documents in terms of the paragraph (12) of First Schedule relating to the offences committed by public officers. In terms of Sub – section 8.2 of the Chapter

XLVII of Volume 11 of the Establishments Code, action had not been taken to institute required disciplinary action and action had not been taken to report to the Disciplinary Authority as well in terms of Sub - section 1.4 of the same Chapter.

3.6 Irregular Transactions

Certain transactions entered into by the District Secretariat had been devoid of regularity. Particulars of such transactions made deviating from the Government Procurement Guideline Procedure observed during the course of test checks appear below.

- (a) There were number of instances of bids opened without publishing the date of the opening of bids in the years 2014 and 2015 in the Divisional Secretariat, Imbulpe contrary to the Guideline 3.4 of the Government Procurement Guidelines. Similarly, the bids less than 04 had been invited in 45 instances in the Divisional Secretariats, Kahawatta and Imbulpe.
- (b) In terms of the Guidelines 5.2.1 (a) and 5.6 of the Government Procurement Guidelines, all necessary relevant information for a prospective bidder should have been furnished clearly and specifically. But, there were instances that the Procurement Committees of Divisional Secretariats of Kahawatta and Imbulpe had followed a method of deciding the required specifications at the time of reviewing bids.
- (c) Contrary to the Guideline 1.2.1(a) of the Government Procurement Guidelines the Divisional Secretariats, Imbulpe and Kahawatta had taken action to award the contract to the bidder who submitted a higher bid totalling Rs. 387,914 by rejecting lowest bid which complied the relevant specifications in 11 instances in the year 2015.

3.7 Management Weaknesses

The following management weaknesses were observed during the course of audit test checks carried out on Vidatha Resource Centre in the Ratnapura District.

- (a) Number of Training workshops conducted by Vidatha Centre Ratnapura during the period of 22 months from October 2014 to July 2016 had been 62. The monthly average of conducting workshops had been 2.8 per cent. The total expenditure for the period amounted to Rs. 3,628,654. Accordingly, the cost of one training workshop had been Rs. 58,527 and as such, the cost per beneficiary had been a over value of Rs. 2,058.
- (b) The machine for Dehydration of Vegetables amounting to Rs. 65,000 and Bakery Oven amounting Rs. 35,000 received from the Ministry in the year 2005 for the training programmes of Vidatha Centre, Ratnapura had remained unutilized for over one year period as at 31 December 2016.
- (c) A computer given to the Vidatha Centre Embuldeniya had been stolen by thieves on 08 March 2009. Except the complaint had been made to the Ratnapura, Police Station no other action whatsoever had been taken thereon.

- (d) No training programme whatsoever had been conducted by the Vidatha Centre, Elapatha for the year under review. Therefore, the building rent amounting to Rs. 901,385 incurred for that period had become fruitless.

3.8 Fruitless Expenditure

The observations on the deficiencies revealed during the course of audit test checks on the transactions of the District Secretariat. are given below.

- (a) In constructing of multipurpose building of Kalawana, Delgoda, East Colony, the estimates had been prepared by abandoning seven necessary items of work amounting to Rs. 315,484. Subsequently, another 05 items of work amounting to Rs. 327,537 which should be executed had not been carried out. Therefore, the intended purpose had not been executed properly and it was observed at the site inspection that the building has been misused.
- (b) A sum of Rs. 75,604 had been incurred to construct the playground of the Kiriella, Deheragoda, Galpoththa, Diyawara Village. But it was not possible to use that for a playground.
- (c) Under the programme of One Work for One Village, the constructions of 03 projects carried out in Imbulpe in the year 2014 had not been completed. The required funds need to complete those had not been received even by September 2016. Therefore those projects had been abandoned and the funds amounting to Rs. 1,145,861 spent thereon had become fruitless up to the respective constructions will be completed and utilized.
- (d) A sum of Rs. 53,251 had been overpaid for 03 works executed by 02 Divisional Secretariats. Similarly, a sum of Rs. 422, 353 had been paid for works not executed of 07 works carried out by 04 Divisional Secretariats.

3.9 Losses and Damage

Thirteen days had been delayed to institute the preliminary inquiry to be commenced immediately in terms of Financial Regulation 104(1) in respect of the accident caused to a cab vehicle of the Divisional Secretariat, Ratnapura in January 2015. Similarly, a period of one month had been delayed to furnish preliminary report. A period of 09 months had been taken to appoint a Board of Inquiry to obtain a full report and the Report of the Board of Inquiry had been given on 15 October 2016 with a delay of 21 months after the accident.

3.10 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i)	Senior Level	59	53	06	-
(ii)	Tertiary Level	41	25	16	-
(iii)	Secondary Level	1,902	1,780	122	-
(iv)	Primary Level	179	180	05	01
	Total	2,181	2,038	144	01

An approval had not been obtained for the excess cadre recruited.