

Report of the Auditor General on Head 259 – District Secretariat, Matale – Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 259 – District Secretariat, Matale 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 22 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 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. 880.20 million and out of that Rs. 784.79 million had been utilized by the end of the year under review. Accordingly, the savings out of total net provision of the District Secretariat amounted to Rs. 95.41 million or 10.84 per cent. 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	584.20	579.23	4.97	0.85
Capital	296.00	205.56	90.44	30.55
Total	880.20	784.79	95.41	10.84

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

Provisions totalling Rs. 2,094 million had been made available by other 28 Ministries and 18 Departments for various activities and out of that a sum of Rs. 1,709 million had been utilized by the end of the year under review. Accordingly provisions totalling Rs. 385 million or 18.39 per cent of the provisions 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.25901 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
45.00	44.92	30.00	38.15	150.00	130.10

2.3 General Deposit Account

The balance of the 06 Deposit Accounts of the District Secretariat as at 31 December 2016 totalled Rs. 219.39 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. Millions
6000/0000/00/0001/0054/000	6.15
6000/0000/00/0002/0072/000	3.53
6000/0000/00/0013/0044/000	25.65
6000/0000/00/0016/0024/000	109.05
6000/0000/00/0017/0005/000	74.54
6000/0000/00/0018/0031/000	0.47
Total	219.39

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statement for the year ended 31 December 2016 of the District Secretariat, Matale 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, Matale 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	Observation
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(i)	Register of Fixed Assets on Computers, Accessories and Software in Divisional Secretariats Naula and Dambulla	Treasury Circular No. IAI/2002/02 of 28 November 2002	Not maintained
(ii)	Register of Liabilities in Divisional Secretariats Galewela, and Ambanganga Korale	Financial Regulation 214	Not maintained
(iii)	Register of Electrical Equipment in Divisional Secretariats, Ambanganga Korale, Dambulla and Pallepola	Financial Regulation 454(2)	Not maintained
(iv)	Registers of Fixed Assets in the District Secretariat and 4 Divisional Secretariats	Treasury Circular No. 842 of 19 December 1978	Not updated
(v)	Register of Security in the District Secretariat	Financial Regulation 891(1)	Not updated
(vi)	Stock Book of Fuel and Lubricants in District Secretariat, and Divisional Secretariat, Galewela	Financial Regulation 1647	Not updated

3.2 Appropriation Account

3.2.1 Budgetary Variance

Excess provisions had been made for 04 Objects and as such the savings after the utilization of provisions ranged between 21 per cent to 48 per cent of the net provisions relating to the respective Objects.

3.2.2 Utilization of Provisions made available by Other Ministries and Departments

The audit observations revealed during the course of audit test checks on the utilization of provisions made available by other Ministries and Departments for the District Secretariat are given below.

- (a) Out of the provisions of Rs. 264.42 million made available by 08 Ministries and Departments for 08 Capital Objects, provisions of Rs. 135.00 million had been saved.
- (b) Thirty eight units of sports goods of 05 categories purchased under Decentralized Development proposals of the Divisional Secretariats, Yatawatta and Matale during the year 2016 had remained idle in the stores without being distributed.
- (c) An agreement had been entered into for concreting 125 metres of the Naula Opalgala Waragolla Rural Road for a sum of Rs. 692,520 on the provisions received from the Ministry of National Policies and Economic Affairs and the work had been completed. Even though, a sum of Rs. 26,790 had been paid to level one side of the road, it was failed to explain how the measurements had been obtained thereon. According to the measurements obtained, a sum of Rs. 5,380 had been over paid in excavating side drains.
- (d) Even though, a box culvert had been constructed in the Naula Opalgala Waragolla Road, the expected objectives from constructing culvert by incurring a sum of Rs. 73,120 had not been achieved due to the water was not flowing down through the drain, as the drain had not been connected properly to flow out the water, even though the water from upper stream was entered into the culvert.
- (e) Even though, a sum of Rs. 1,088,516 had been paid by the Divisional Secretariat, Naula to develop the begining section of the Nikula Bobella Road (Temple Road), a sum of Rs. 24,241 had been overpaid due to underused of 1.537 cubic metres of concrete for the bottom of the drain when concreting drain of the road.
- (f) The following observations are made during the course of audit test check, in respect of the Habaraghamada Handloom Textile Centre which had been commenced in the year 2014 and incurred a sum of Rs. 6,265,078 by the year 2016.
 - (i) The building had been constructed under a High Tension Electric Lines System.
 - (ii) A feasibility study had not been carried out.
 - (iii) The building had been constructed using galvanize and iron.
 - (iv) Barge boards had not been fixed for the roof with abnormal height.
 - (v) The floor was cracked due to poor concrete mixture
 - (vi) The walls were cracked.

- (vii) Cement or similar mixture had been laid without being constructed the draining system.
- (viii) As a whole designing, of the building, selection of the land, preparation of estimates, awarding contract, supervision of the construction and the utilizing of resources had remained in a very poor position while this building had not been utilized for the expected objective even by June 2017.
- (g) Twenty three sewing machines out of 43 and 11 pair of scissors purchased by incurring a sum of Rs. 1,456,607 and 240 yards of shirting material and 48 reels of thread purchased thereon by the Divisional Secretariat, Naula for the Habaragahamada Textile Project in the year 2014 had remained decaying in the Divisional Secretariat, Naula for over a period of 02 years.
- (h) A sum of Rs. 11,786,165 had been incurred to construct T.B. Thennakoon Cultural Centre in the area of the Divisional Secretariat, Dambulla. The constructions had been terminated due to contentious position with regard to the land and the provisions received in the year 2016 had been returned. The parts of the work relating to the preliminary design of the building constructed had faced to decaying throughout the period of 2 years by June 2017 and it was become a project as not achieved the expected objective.
- (i) The instructions had been given to commence the projects by ensuring the legal ownership of the lands on which the buildings are constructed. Nevertheless, a Clinic/ Body building centre had been constructed in a land with the private ownership situated in the Grama Niladhari Division, Thiththawelgolla in the area of the Divisional Secretariat, Dambulla without being formally vested incurring a sum of Rs. 457,332 under the provisions of the Ministry of Economic Development in the year 2014.
- (j) A sum of Rs. 2,292,855 had been incurred for laying water pipe lines up to 1053 meters in the year 2016 out of the provisions received from Ministry of National Policies and Economic Affairs and received as Continued funds for expanding of the Lihinipitiya Water Supply Scheme in the area of the Divisional Secretariat, Naula. The following observations are made in this connection.
 - (i) Metal dust had not been laid for the places tested.
 - (ii) Even though, the water pipe lines should be laid by digging 03 feet depth and laying sand, the water lines in certain places were remained on ground level.
 - (iii) PVC pipes had not been used to connect GI pipes on the road in which laid water pipe lines.
 - (iv) Water connection was not given even by 19 July 2017.

- (k) A sum of Rs. 4,281,688 had been incurred by 31 December 2016 out of the provisions of Rs. 5,100,000 made for the construction of a playground in Elkaduwa Town in the Divisional Secretariat, Ukuwela under Palath Neguma Programme in the year 2014. The retaining wall of the playground had not been fully completed and the soil erosion was shown. Therefore, it was not utilized as a playground and it was observed that the expected benefits to the Public had not been received, even though the money had been fully utilized.
- (l) As the provisions had not been given for the years 2015 and 2016 for the Udangamuwa Community Hall in which half of the work had been completed by the Divisional Secretariat Ukuwela, under the Gamaneguma Development Scheme in the year 2014, the money spent amounting to Rs. 254,416 in the year 2014 had become a fruitless expenditure.
- (m) Provisions of Rs. 1,000,000 had been received during the year 2014 for the Oalgala Water Supply Scheme in the Divisional Secretariat, Naula commenced by incurring a sum of Rs. 866,539 in the year 2012. As sufficient water was not available in the water source the expected results from this project could not be achieved.
- (n) Provisions of Rs. 500,000 had been received in the year 2014 for the Drinking Water Project in Naula Moragahamada which commenced with the objective of providing water to 161 families or 558 beneficiaries. A sum of Rs. 64,050 only had been incurred out of those provisions. A sum of Rs. 300,000 also had been received from the Ministry of National Policies and Economic Affairs for the Project which named as a continued project on a cost estimate amounting to Rs. 342,500 in the year 2016. A sum of Rs. 564,725 had been paid for laying water pipe lines, and to construct a retaining wall for the well close to the water source and to provide new water supply. Due to weaknesses in construction of water source, the water pipe lines were blocked with the garbage and sediment. As the water was not coming through the lines, the distribution of water had not been carried out.

3.3 General Deposit Account

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on 137 deposits older than 2 years as at 31 December 2016 totalling Rs. 5,889,053.
- (b) Money given to the Divisional Secretariat, Naula for various purposes amounting to Rs. 297,410 had been retained in the Deposit account without being utilized for respective purposes or without being settled even by 31 December 2016.

3.4 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account, Item No. 25901.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs. 730,710. Even though, those outstanding balances remained over periods ranging from 01 year to 15 years, the District Secretariat had failed to recover those outstanding loan balances.
- (b) The District Secretariat had overpaid a loan amounting to Rs. 8,584 without following the procedures to be followed in granting loans.

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	Idle or Underutilized Period
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		Years
(i) Buildings	02	02
(ii) Motor Bicycles	07	17
(iii) Machinery	03	02

(b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) According to the Public Finance Circular No. 02/2014 of 17 October 2014 the Boards of Survey for the year should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2017. Nevertheless, the District Secretariat and the Divisional Secretariat, Dambulla had not furnished those reports to audit even by 30 June 2017. The last Boards of Survey conducted had been for the year 2015.

- (ii) Action in terms of Financial Regulation 772(c) had not been taken as at the audited date 31 January 2017 on 116 units of goods of which assessment value amounting to Rs. 88,685 in 05 Divisional Secretariats recommended to be sold according to the Boards of Survey of the year 2015.

(c) Assets given to External Parties

As the old buildings had been dismantled to construct new Administrative Complex in the premises of the District Secretariat, Matale, 06 offices existed in the premises had been established in the buildings of the private sector and the rental is being paid at the rate of Rs. 2,126,400 per year. Nevertheless, a building with an extent of 368 square feet from the year 2002 and a building with an extent of 64 square feet for over 14 years had been given to the Offices of the Ex-Service Officers Association and Pensioners Association respectively without being recovered any charge.

(d) Unsettled Liabilities

The unsettled liabilities of the District Secretariat less than one year old as at 31 December 2016 amounted Rs. 3,611,510.

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.

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
Financial Regulation 880	98,500	Action had not been taken to obtain security deposits from twelve officers who should be given security deposits of the District Secretariat.
(b) Public Finance Circulars -----		
Circular No. 03/2015 dated 14 June 2015	492,460	Even though, the sub - imprests should be settled within 10 days after the respective purpose completed, the ad - hoc sub - imprests

issued in the Divisional Secretariats, Yatawatta and Galewela including the District Secretariat in 27 instances, had been settled with a delay of a period ranging from 11 days to 61 days.

(c) Letter of the Director General of National Budget

Paragraph 02 of the Letter No. BD/GPS/130/9/14/MC-ii dated 07 July 2015.

554,000 Four Development Officers employed in the Divisional Secretariats, Yatawatta and Ambangaga Korale had been permanently released to the posts of teaching profession and Public Management Service for which not entitled the motor cycles. Nevertheless, the market value of the motor cycles had not been recovered from those officers.

(d) Notifications Published through the Gazette

Provisions 202 of the Paragraph xvii of the volume I of working Procedure Rules of the Extra Ordinary Gazette No. 1589/30 dated 20 February 2009.

Five officers who were completed the service ranging from 06 years to 24 years in the Divisional Secretariat, Matale had employed in the service of the same place.

3.7 Implementation of Projects under Domestic Financing

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

(a) Projects Abandoned without Commencing

Even though, provisions of Rs. 300,000 had been made for Development of Kandangamuwa Pasal Mawatha in the area of the Divisional Secretariat, Galewela, that work had been abandoned without commencing as the contractor had informed that the development of the road was difficult according to the former estimate.

(b) Projects Abandoned without Completion

Even though, District Secretariat and 05 Divisional Secretariats had commenced 11 projects as follows, those projects had been abandoned without being completed.

Project	Estimated Cost	Date of Commencement	Expenditure as at 31 December 2016	Reasons for Abandoning
-----	-----	-----	-----	-----
	Rs.		Rs.	
(i) Pathkolagolla Road from Matale Junction	2,000,000	2014	392,000	Widening the Road under the plan of the Megapolis Development
(ii) Clinic/ Body Building Centre Thiththawalgolla	1,000,000	2014	457,331	Not vesting the ownership of the land.
(iii) School Building of the Bandarapola Maha Vidyalaya	8,250,000	2014	1,588,006	Failure to complete the project by the contractor.
(iv) Development of Playground, Salagama	490,870	11 October 2014	425,956	A wall should be constructed and had to be incurred a large expenditure thereon.
(v) Construction of Daluwela Service Centre	261,274	12 October 2014	146,780	Not cleared the land.
(vi) Water Supply Scheme, Udagama	1,000,000	30 October 2014	575,118	Protest of the Farmer Community
(vii) Providing a water extension to the Gangoda Village Kalalpitiya.	150,603	13 October 2014	-	Inadequacy of time to complete new work.
(viii) Construction of a Retention wall of the Rangama, Welikotuwa Rural Road	2,196,000	10 December 2014	-	Inadequacy of time for the project and unavailability of adequate beneficiaries.
(ix) Development of Makulemada Manikkwatta Road	784,000	2014	500,000	Inadequacy of time to complete new works.
(x) Development of Galaudahena and Brandigala area as a tourist zone	5,000,000	2014	1,311,652	Environmental Protest

(xi)	Construction of T.B. Thennakoon Cultural Centre - Dambulla	43,446,598	2014	11,786,165	Problematic Position in respect of the land.
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(c) Projects without Progress Despite the Release of Money

Instances where no progress had been made on the constructions despite the release of money to the various institutions and Ceylon Electricity Board are given below.

- (i) Even though, a sum of Rs. 980,952 had been paid to the Ceylon Electricity Board for two electrification extensions in the Divisional Secretariat, Dambulla in the year 2016, the electricity supply had not been provided even by June 2017.
- (ii) An estimate amounting to Rs.5,000,000 had been made for the Development of Galaudahena and Brandigala Area as a tourist region in the Divisional Secretariat Division Ukuwela. A sum of Rs.1,311,652 had been paid to the Department of National Botanical Gardens to commence preliminary activities of the park and to the Department of Survey, Central Environmental Authority and National Building Research Organization for execution of other preliminary works by 31 December 2014. Nevertheless, no designing work whatsoever had been made even by May 2017.

3.8 Performance

The observations on the progress of the District Secretariat according to the Annual Budget Estimate and the Action Plan for the year 2016 are given below.

(a) Key Functions not Executed Adequately

The key functions of the District Secretariat had not been executed adequately and several instances so revealed are given below.

- (i) A proposal for the construction of a new Administration Complex for the District Secretariat had been made under an estimate of Rs. 550 million in the year 2011. The provisions of Rs. 9 million, Rs. 150 million and Rs. 200 million had been made from the Annual Budget estimates in the years 2013, 2015 and 2016 respectively. An expenditure totalling Rs. 123.67 million only had been incurred by 31 December 2016. This construction work should have been done through the Department of Buildings. Nevertheless, sums of Rs. 140.5 million and Rs. 86 million out of the provisions made in the years 2015 and 2016 had been saved due to slow nature in respect of the constructions and the constructions had not been made according to a planned programme.
- (ii) The fence of the office premises of the Divisional Secretariat, Rattota had been constructed spending Rs. 396,175 in the year under review. The following deficiencies were revealed at the audit test check carried out in this connection.

- * The concrete posts were not complied with the specifications.
- * The foundation of the concrete posts were in a low strength.
- * The Net and the GI pipes used not complied with the specifications.
- * Barbed wires not fixed strengthenly.

(b) Planning

Even though, it was planned to implement 05 programmes by the Agriculture Unit as per the Action Plan prepared in terms of the Public Finance Circular No. 01/2014 dated 17 February 2014 for the year 2016, that programme had not been commenced due to not receiving the provisions thereon. Three fruit villages only had been implemented out of 05 fruit processing villages proposed outside the Action Plan.

3.9 Transactions of Contentious Nature

In fixing prices for the construction materials, labour charges, and transport charges, abnormal higher prices had been fixed by the Pricing Committee of the District Secretariat, Matale. It was also observed that a large financial loss had been incurred to the Government due to contracts had been awarded for the higher values as the cost estimates were very high due to estimates were prepared with higher prices.

3.10 Irregular Transactions

Deviation from the Government Procurement Guidelines Procedure

The following observations are made.

- (a) Even though, a period of 21 days should be given in inviting bids under the National Competitive Bidding in terms of the Guideline 6.2.2 of the Government Procurement Guidelines, only 14 days had been given for inviting bids for 03 works valued at Rs. 24,005,704 executed by the District Secretariat.
- (b) In terms of the Guideline 6.3.1 of the Government Procurement Guidelines, the bids should be submitted through mail under registered post or under sealed cover. Nevertheless, the bid submission for procurements in respect of purchases amounting to Rs. 1,144,417 in the Divisional Secretariats, Yatawatta, Galewela, Matale and Naula had not been made accordingly.
- (c) The goods valued at Rs. 282,150 had been purchased by the Divisional Secretariats Ukuwela, and Yatawatta without mentioning the relevant specifications and the quantity of the goods to be purchased in terms of Guideline 5.6 of the Government Procurement Guidelines.

3.11 Losses and Damage

The observations on losses and damage observed during the course of audit test checks are given below.

- (a) A Laptop Computer valued at Rs. 88,665 and a Tab valued at Rs. 56,000, which had been given to 2 officers of the District Secretariat and Divisional Secretariat, Yatawatta were misplaced. Nevertheless, action had not been taken thereon in terms of Financial Regulations.
- (b) Four years had elapsed for the computer misplaced valued at Rs. 87,994 kept in the Skills Promotion Unit of the District Secretariat. Nevertheless, the recommendations given thereon had not been implemented.

3.12 Uneconomic Transactions

Old "Evidence hut" building situated in front of the Matale Municipal Council in the area of the Divisional Secretariat, Matale had been leased out to the Municipal Council on an annual lease license from the year 1980. The total arrears of lease rental recoverable as at 31 December 2016 including the arrears of rental recoverable in respect of the years 1997 and 1998 amounted to Rs. 190,400. Nevertheless, those arrears of lease rental had not been recovered even by June 2017.

3.13 Unresolved Audit Paragraphs

Reference to the audit paragraphs relating to the District Secretariat, Matale included the Reports of the Auditor General on which follow – up action had not been finalized is given below.

Reference to Report of Auditor General		Subject under Reference
Year	Paragraph Number	
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2007	7.5(a)	Weaknesses in Implementation of Projects
2008	7.4(c)	Non - compliance with Laws, Rules and Regulations
2010	4.10(a)	Uneconomic Transactions
2011	4.10(a)	Uneconomic Transactions
2012	1.7	Assets Management
2014	3.5(a)	Assets Management
2015	3.6(b)	Assets Management
2015	3.9(a)(i)	Activities contrary to the main Functions
2015	3.12(d)	Uneconomic Transactions

3.14 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) Even though, a period ranging from 02 years to 35 years was delayed in 54 instances in the Divisional Secretariat Matale, Dambulla, Ambangangakorale, Pallepola, Rattota and Ukuwela in vesting of lands for development activities of the Government, the vesting activities had not been finalized.
- (b) Two hundred and seventy three Jayabuhmi, Isurubuhmi and Swarnabuhmi Grant Certificates which signed by the President had been retained with a delay ranging from 1 year to 34 years in the Divisional Secretariat, Dambulla, Ukuwela, Naula and Galewela in the Matale District without being distributed to the Grant Certificate holders.

3.15 Human Resources Management

Approved Cadre and Actual Cadre

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	63	49	14
(ii) Tertiary Level	36	23	13
(iii) Secondary Level	1,643	1,450	193
(iv) Primary Level	131	111	20
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Total	1,873	1,633	240
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There were 240 vacancies in the approved cadre by the end of the year under review, while formal action had not been taken by the District Secretariat to fill those vacancies.

(b) Idle Human Resources

The Assistant Divisional Secretary of the Divisional Secretariat, Yatawatta had obtained study leave to read for Post Graduate Degree awarded by the Australian Government for the years 2014 and 2015 and she had reported for duty at the District Secretariat, Matale from 15 August 2016 after obtaining maternity leave. That officer had been retained up to June 2017 without being assigned any duty to her and a sum of Rs. 326,719 had been paid as salaries by 31 December 2016.