

## Report of the Auditor General on Head 260 - District Secretariat, Nuwara Eliya –Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the District Secretariat, Nuwara Eliya 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 30 May 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.546.00 million and a sum of Rs.523.11 million out of that had been utilized by the end of the year under review. Accordingly, a sum of Rs.22.89 million or 4.19 per cent of the net provision made for the District Secretariat had been saved. 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	447.00	439.65	7.35	1.64
Capital	99.00	83.46	15.54	15.70
<b>Total</b>	<b>546.00</b>	<b>523.11</b>	<b>22.89</b>	<b>4.19</b>

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

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Twenty two other Ministries and 20 Departments had made available provision totalling Rs.1,882.44 million for various activities. Out of that, provisions amounting to Rs.1,727.57 million had been utilized. Accordingly, provisions of Rs.154.87 million or 8.23 per cent of the provisions made had been saved.

**2.2 Advance Account**

**2.2.1 Advances to Public Officers Account**

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**Limits Authorized by Parliament**  
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The limits authorized by the Parliament for the Advances to Public Officers Account relating to the District Secretariat under Item No.26001 and the actual amounts are given below.

<b>Expenditure</b>		<b>Receipts</b>		<b>Debit Balance</b>	
<b>Maximum Limit</b>	<b>Actual</b>	<b>Minimum Limit</b>	<b>Actual</b>	<b>Maximum Limit</b>	<b>Actual</b>
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Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
32.00	31.95	20.00	23.13	94.00	74.66

**2.3 Imprest Account**

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The balance of the Imprest Account No.7002/0000/00/0307/0016/000 of the District Secretariat as at 31 December 2016 amounted to Rs.1.1 million.

**2.4 General Deposit Account**

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The balances of the 05 General Deposit Accounts of the District Secretariat as at 31 December 2016 totalled Rs.233.84 million. Details appear below.

<b>Deposit Account No.</b>	<b>Balance as at 31 December 2016</b>
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	Rs.Millions
6000/0000/00/0001/0047/000	0.91
6000/0000/00/0002/0063/000	0.84
6000/0000/00/0016/0016/000	122.38
6000/0000/00/0017/0003/000	73.37
6000/0000/00/0018/0019/000	36.34
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<b>Total</b>	<b>233.84</b>
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## **2.5 Audit Observation**

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According to the Financial Records and Books for the year ended 31 December 2016, it was observed that the Appropriation Account and the Reconciliation Statements of the District Secretariat had been prepared satisfactorily subject to the audit observations appearing in the Management Audit Report referred to in paragraph 1.1. The material and significant observations out of the observations included in the Management Audit Report appear in paragraph 3 herein.

## **3. Material and Significant Audit Observations**

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### **3.1 Non-maintenance of Registers and Books**

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District Secretariat had not maintained the Register of Fixed Assets in an updated manner in terms of Treasury Circular No.842 dated 19 December 1978.

### **3.2 Provisions made available by other Ministries and Departments**

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The following observations are made.

- (a) The contract relating to the repair of the roof of the Nuwara Eliya post office had been awarded to a farmers' society up on a contract value of Rs.4,142,025 to carry out it under 03 stages and an agreement had been entered into thereon. The Department of Postal had granted a sum of Rs.4,142,025 to the District Secretary, Nuwara Eliya to carry out this contract. The following observations are made in this connection.
  - (i) Without selecting a contractor by calling for bids taking into consideration the total contract value, the contract had been awarded to a registered society after dividing it under 03 stages.
  - (ii) Notwithstanding the availability of balance of Rs.1,596 only in the bank account of the Contractual Society at the time of entering into the agreement with that Society for the first stage on 20 October 2014, agreements had been entered into with that Society in three instances regardless of the above matter.
  - (iii) Without drawing attention on the fact whether the Contractual Society had the capacity to obtain the physical and human resources required for the successful implementation of the project, contract had been awarded to that Society and as a result it had not been possible to complete the task according to the estimate even by 31 December 2016.
- (b) As 24 projects implemented by the District Secretariat, Nuwara Eliya and 05 Divisional Secretariats by spending Rs.9,725,568 from the year 2013 to 2016 had not been completed within the durations indicated in the estimates, it had not been possible to use them for the benefit of the people.

- (c) Fifty two projects implemented by the District Secretariat, Nuwara Eliya and 05 Divisional Secretariats by spending Rs.45,968,553 from the year 2013 to 2016 had been completed in accordance with the estimates. Nevertheless, due to failure to prepare estimates so as to be beneficial to the people and not receiving provisions again for the completion of outstanding works, those projects could not be made use of by the people.
- (d) Although 20 works, the total value of which was Rs.14,159,693 had been completed according to the estimates during the period from the year 2014 to 2016, those works had been unsuccessful due to various grounds.
- (e) Nine projects constructed at a total cost of Rs.10,475,823 from the year 2013 to the year 2016 had remained underutilized as a result of not opening them or some other reasons.
- (f) Constructions relating to 10 projects had been completed by the District Secretariat, Nuwara Eliya and 05 Divisional Secretariats at a total cost of Rs.10,749,393. No maintenance whatsoever had been carried out after those constructions.
- (g) Construction of playgrounds and covering of the areas around various buildings with nets had been carried out at a total cost of Rs.7,131,375 by 2 Divisional Secretariats of the Nuwara Eliya District from the year 2013 to the year 2016. Those constructions had not been carried out according to the Building Standard Rates and 07 instances were observed where covering with nets had been done devoid of the standards.
- (h) Six instances were observed that instead of angle iron of 62x62x6 mm in size, angle iron of less than that in size had been used for the roofs of the buildings constructed by 4 Divisional Secretariats of the Nuwara Eliya district at a cost of Rs.1,397,832 and the payments had been made.
- (i) Even though paving blocks of 19 mm should be used for 1:2:4 mixture, if the paving blocks of 25 mm and 37.5 mm are substituted therefor, payments should be made according to the rates of the 1: 2:1/2 :5 or 1:3:6 concrete mixture. Nevertheless, in 14 instances where roads had been completed with the use of paving blocks of 25mm and 37.5 mm, payments had been made according to the rate of 1:2:4 concrete mixture. Due to that, a sum of Rs.1,483,605 had been overpaid.
- (J) In the examination of constructions carried out by the District Secretariat and 5 Divisional Secretariats from the year 2013 to the year 2016, it was observed that payments and overpayments totalling Rs.8,018,905 had been made in respect of unexecuted works in 51 instances.
- (k) In laying interlock paving blocks, defects such as not using paving blocks with the proper standard, not subjecting the paving blocks for the laboratory tests, and not properly compacting the roads could be observed and as a result, sinking of the roads and damaging the concrete covers on either side of the roads had occurred in 07 instances by 31 December 2016. Payments totalling Rs.6,785,584 had been made by 4 Divisional Secretariats in respect of such 07 instances.

- (l) Works had not been physically verified by the Technical Officers in 05 Divisional Secretariats. Having compared the bills relevant to the work in accordance with the estimate of the work, payments relating to 25 instances had been approved. Those measurements could not be physically found in the field. Payments totalling Rs.14,315,576 had been made for the said projects.
- (m) In the preparation of estimates by 5 Divisional Secretariats, having prepared Special Rates (SSR) without considering the Building Standard Rates and Road Standard Rates, payments had been made in 07 instances and sums totalling Rs.2,963,566 had been paid for 02 instances of making payments based on the machine hours instead of BSR rates.
- (n) Beams used for the number of buildings constructed from the year 2014 to the year 2016 had cracked. In response for the issues highlighted on the durability of those buildings in 07 instances, sums totalling Rs.7,895,250 had been spent by the Divisional Secretariat, Hanguranketha.
- (o) Sums totalling Rs.3,473,942 had been paid by 3 Divisional Secretariats in relation to 04 instances of carrying out Government constructions without being obtained the approval of the owners of the places before the commencement of a work.
- (p) The Hanguranketha Divisional Secretariat had spent sums totalling Rs.1,249,662 in respect of the constructions carried out in 03 instances with the use of raw materials not approved by the Government.
- (q) The Walapane and Kothmale Divisional Secretariats had awarded 05 contracts valued at Rs.4,563,065 to the contractors who had not obtained insurance certificates on all the risks required to be obtained in terms of the orders of the ICTAD.
- (r) In terms of the BSR rate, paving blocks of 6''x9'' in size should be used for the construction of granite walls, whereas in the construction of safety wall of Selenard School, road paving blocks of bigger than that had been used and payments amounting to Rs.574,000 had been made.
- (s) A sum of Rs.318,288 had been paid by 3 Divisional Secretariats in respect of constructing pavements and the drainages devoid of proper standards in 04 instances.
- (t) In fixing gutters the gap between two gutter hooks should be 9'' in terms of BSR rate, whereas in respect of 02 instances where hooks had been fixed at the gap between 10'' to 2' 6'', a sum of Rs.91,402 had been paid by the Divisional Secretariat, Walapane.
- (u) The Ambagamuwa and Hanguranketha Divisional Secretariats had spent sums totalling Rs.1,079,000 in respect 03 instances of completing constructions out of the Government funds so as to be beneficial to one person or a few persons.

- (v) The Nuwara Eliya Divisional Secretariat had made provisions amounting to Rs.1,000,000 for the construction of the bridge near the Shanthipura Tank in the year 2016. A sum of Rs.963,975 had been spent by 31 December 2016. As the props had not been properly fixed to the satterine used for the concrete slab of the bridge, satterine had become uneven. But, without properly adjusting them, concrete had been laid. The metal, sand and cement in the concrete had not been properly mixed and metal had detached.
- (w) The Nuwara Eliya Divisional Secretariat had made provisions amounting to Rs.1,000,000 for the development of Ruwan Eliya Church Road and payment of Rs.952,655 had been made by 31 December 2016. A part of the ditch built when constructing a new road to mark the Road Week had collapsed by 15 March 2017.
- (x) The road constructed by the Nuwara Eliya Divisional Secretariat by spending a sum of Rs.491,406 under the development of Windy Corner Second Lane in the year 2016 had been entirely damaged.
- (y) For the development of Pussalamankada Maoya Koswatta Road, the Hanguranketha Divisional Secretariat had spent a sum of Rs.980,000 and as the width of the road being inadequate, road had been widened by erecting concrete columns and beams and laying concrete on the surface. The road had not been used for vehicle running even by the end of the year under review. After another 400m of the road was constructed on the concrete columns as in the previous case, it could have been used for vehicle running. But, the thickness of the beams fixed on the concrete columns had been 3'' in some places of the constructed part of the road. Nevertheless, having estimated that beams of 9'' in size had been used, payments had been made. The concrete layer had not been properly compacted.

### **3.3 Imprest Accounts**

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The following observations are made.

- (a) Having recognized the reasons attributed to the difference of Rs.1,098,856 between the Treasury balance and the books of the Department as at 31 December 2016 of the Imprest Account, although balance of Rs.197,978 had been corrected in January 2017, an imprest balance of Rs.900,878 had further remained unsettled. As an advance paid to a contractor had not been settled, it had not been possible to settle the Imprest Account by 31 December 2016. Although the office had stated that legal action was being taken to recover that advance, written evidence thereon had not been furnished to audit.
- (b) Although Nuwara Eliya Divisional Secretariat and Kothmale Divisional Secretariat had issued ad-hoc sub-imprest totalling Rs.869,797 in 14 instances, those imprests had been settled after a delay from 03 months to 10 months.

### 3.4 General Deposit Account

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The following observations are made.

- (a) Money granted to the Kothmale Divisional Secretariat by the Department of Hinduaffairs in order to reconstruct Hindu Kovils in 3 instances and a sums totalling Rs.240,733 granted for the development of infrastructure facilities in the years 2014 and 2015 had been retained in the General Deposit Account without being utilized for the relevant purposes.
- (b) A sum of Rs.4,182,256 deposited as cash in hand from the year 2012 to December 2014 relating to 140 works had not been released to the relevant parties by ascertaining whether the relevant works had been completed satisfactorily.
- (c) A sum of Rs.2,854,947 granted by the Ministry of Housing and Samurdhi in the year 2015 had been retained in the General Deposit Account of the Hanguranketha Divisional Secretariat in order to make payments for 8 unexecuted contracts without obtaining the approval of the Treasury and subsequently, payments had been made during the period from 27 January to 27 August 2016.
- (d) In order to acquire lands, the Provincial Lands Commissioner had granted Rs.5,000,000 to the Hanguranketha Divisional Secretariat on 08 February 2011 and it had been retained in the General Deposit Account. But, the examinations relating to the compensations had not been commenced even by 19 September 2016, the date of audit.
- (e) A sum totalling Rs.1,866,799, the purpose of the receipt of which was not established and deposited by the Walapane Divisional Secretariat in 46 instances from the year 2009 to 2015 had been retained in the Deposit Account by the end of the year under review without being taken action to settle that amount or credit it to the Government revenue.
- (f) In terms of the Letter No. 4/3/1/2001/48 dated 24 May 2012 of the Secretary to the Ministry of Land and Land Development, the land acquisition activities should be completed within a period of 72 weeks. A sum totalling Rs.14,742,598 deposited in 81 instances for the acquisition of lands under the various projects from the year 2006 to the year 2014 had been retained in the Deposit Accounts of the Nuwara Eliya and Kothmale Divisional Secretariats.
- (g) Action in terms of the Financial Regulation 571 had not been taken on 214 Deposits totalling Rs.6,527,508 older than 2 years.

### 3.5 Reconciliation Statement on Advances to Public Officers Account

The following observations are made at the audit test check carried out in respect of the Reconciliation Statement of the Advances to Public Officers Account, Item No. 26001 as at 31 December 2016.

- (i) A loan balance of Rs.143,856 of an officer transferred to the Central Provincial Council from the Walapane Divisional Secretariat on 05 June 2015 had not been entered in the Register of Debtors. Action had not been taken to recover that loan balance even by 20 April 2017.
- (ii) In terms of Sections 3.7 and 3.8 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a loan amounting to Rs.219,180 granted to a Grama Niladhari of the Walapane Divisional Secretariat in October 2016 should have been recovered from the following month. Nevertheless, action had not been taken to recover that loan balance even by December 2016.

### 3.6 Assets Management

The following deficiencies were observed at the audit test check carried out in respect of assets in the District Secretariat.

#### (a) Idle and Underutilized Assets

It was observed in audit test checks that certain assets categorized as follows had remained idle or underutilized.

Category of Assets	Number of Units	Value	Period of Lying Idle or Underutilized
(i) Lands (Hactares)	1.55	Not computed	Cannot be recognized
(ii) Buildings	10	-Do-	-Do-
(iii) Tractors	01	-Do-	-Do-
(iv) Water Bowsers	01	-Do-	-Do-
(v) Motor Bicycles	22	-Do-	-Do-
(vi) Motor Vehicles	08	-Do-	-Do-

#### (b) Other Observations on the assets

The following observations are made.

- (i) The old auditorium building of the Ambagamuwa Divisional Secretariat had been sealed on 09 January 2015 on the orders of the Department of Election. That hall had remained idle even up to 31 March 2017 from that day.
- (ii) The Government quarters of the Public Management Assistant Service and the Government quarters of the Staff Grade Officers of the District



Secretariat had been constructed by spending Rs.7,757,842 and Rs.6,408,162 respectively even by 31 December 2016. Those quarters had not been utilized even by 02 May 2017.

- (iii) Goods and equipment valued at Rs. 5,628,804 had been received by the Ambagamuwa Divisional Secretariat in the year 2013 and 2014 in order to distribute among the beneficiaries. Nevertheless, those goods had not been distributed among the beneficiaries even by 05 October 2016, the date of audit.
- (iv) Sets of kitchen utensils, water motors, shovels, mamoties, children's mosquito nets, sets of saucepans, chainsaw machines, mosquito nets and plates and cups received from the UNISEF had been stored in the stores of the Walapane Divisional Secretariat. The goods kept in the stores could not be correctly recognized. The custodian of the goods had not been assigned to a responsible officer.
- (v) Two hundred and eleven name boards printed to be fixed for the projects implemented by the Walapane Divisional Secretariat under the Gamaneguma and Puraneguma programmes in the year 2014 had remained in the Stores without being fixed at the relevant places.
- (vi) For the Estate Infrastructure Facility Development Projects, name boards had been purchased at a total cost of Rs.968,150 comprising 19 name boards at Rs.6,800 each and 141 name boards at Rs.5,950 each in the year 2016. Out of that, 105 name boards valued at Rs.624,750 had been retained in the Stores without being distributed.
- (vii) A motor vehicle belonging to the Walapane Divisional Secretariat, which had been ceased from running since January 2016 due to a technical error, had not been repaired even by June 2017.

**(c) Irregular Utilization of Assets Belonging to other Institutions**  
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It was observed during the course of audit test checks that the District Secretariat had used certain assets belonging to other institutions without formal approval.

Category of Assets -----	Assets owned by -----	value -----	Period -----
		Rs. Millions	
Motor Vehicles	Ministry of Agriculture	2.00	From 12 years
Motor Vehicles	United Nations Development Programmes	1.00	From 1 years

**(d) Assets given to External Parties**  
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The District Secretariat had irregularly released a motor vehicle to the Central Environmental Authority from the year 2012.

### 3.7 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed at audit test checks are analyzed below.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Value</b>	<b>Non-compliances</b>
	Rs.	
<b>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
(i) Financial Regulation 137	979,730	Having obtained goods and services, cheques had been written by approving the payments before they were entered in the inventories in 05 instances.
(ii) Financial Regulations 225 and 260	727,858	Payments had been made without the signature of the payee and the paying officers.
(iii) Financial Regulation 237 (b)	114,000	Without obtaining a certificate from a Mechanical Engineer or Technical Officer to the effect that the repair had been properly carried out, payments had been made on 16 August for an irregular bill produced without dates by the contractual institute.
(iv) Financial Regulation 1647 (b)	Not valued	Evidence had not been furnished to Audit to the effect that a comprehensive survey was conducted on the vehicles of the District Secretariat and their spare parts and such survey was conducted on the safety of the vehicle immediately after assigning the vehicle to an officer from another officer and after the driver was changed.



**(a) Projects Abandoned without Commencing**

The following projects had not been commenced by the District Secretariat.

<b>Project</b>	<b>Estimated Cost</b>	<b>Reasons for not Commencing</b>
	Rs.	
(i) Construction of Kuruduoya Alma Gremand Staircase	200,000	Villages had requested to develop the Alma Gremand road.
(ii) Supply of water to the Ihala Pannala Division	250,080	Raising objections by the people against the implementation of the project due to not receiving water to the Serupitiya track of paddy field which is fostering by the water source.
(iii) Construction of 02 tube wells at Kandeyaya	Not estimated	Inadequacy of the funds allocated.
(iv) Supply of water to the Delmar Lower Division.	-do-	-do-

**(b) Delays in the Execution of the Projects**

Delays were observed in the execution of following projects by the District Secretariat and 05 Divisional Secretariats.

<b>Project</b>	<b>Estimated Cost</b>	<b>Date of Commencement</b>	<b>Due Date of Completion</b>	<b>Date of Completion</b>	<b>Expenditure as at 31 December 2016</b>	<b>Reasons for Delay</b>
	Rs.				Rs.	
(i) Staff Grade Officers Quarters of the District Secretariat	7,256,180	12.02.2016	12.05.2016	30.10.2016	6,142,859	Due to rains and delays occurred in providing plans
(ii) Applying paint of the District Secretariat Office	5,083,288	08.08.2016	20.12.2016	Works not completed	3,209,177	Defects found in planning and due to rain.
(iii) Construction of Gabion Walls	2,657,323	05.07.2016	05.10.2016	01.12.2016	2,294,440	Due to rains

(iv)	Development of the playground of the Pussadeva Secondary School, Batagolla.	2,757,464	23.10.2015	15.12.2015	31.10.2016	719,341	Due to rains and the contractor's failure in attempting to complete the work on due date.
(v)	Development of the playground of the Madulla Secondary School.	6,538,270	25.10.2015	15.12.2015	31.10.2016	2,655,162	Due to rains and the contractor's failure in attempting to complete the work on due date.
(vi)	Construction of the <i>Sada Nivasaya</i> of the Kothmale Divisional Secretariat.	6,102,719	07.11.2016	20.12.2016	Works not completed	2,809,162	Delays in providing plans and awarding contracts.
(vii)	Construction of Accountant's Quarters of the Walapane Divisional Secretariat.	4,716,000	18.12.2015	31.12.2015	31.12.2016	5,556,064	Delays in providing plans  Delays in awarding contracts.
(viii)	Construction of Hanguranketha Divisional Secretariat.	26,664,581	04.08.2016	20.12.2016	Works not completed	12,916,413	Delays in providing plans

**(c) Projects without Progress despite the release of Money**

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 Although a sum of Rs.1,694,655 had been spent for the renovation of circuit bungalow of the Ministry of Home Affairs, activities relating to that work had not been completed even at the time of carrying out audit test check on 02 May 2017. The following observations are made in this connection.

- (i) Even though works relating to estimate No.60 and 69 had not been carried out, a sum of Rs.56,020 had been paid therefor.
- (ii) The finishing of the tile work of the renovated two bathrooms had not been at a satisfactory level.
- (iii) The cheque, payment of which had been made even by 02 May 2017 had been retained in hand without issuing to the payee.
- (iv) Payment for the bill amounting to Rs.345,523 produced by the contractor relating to the renovation of Holiday Resort of the Ministry of Public Administration had been made without obtaining the approval of the Engineer.

**(d) Irregularly Executed Projects**

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 According to the final bill of the contracts relating to the applying paint of the Nuwara Eliya District Secretariat, a part of work totalling Rs.1,939,084 had not been carried out. Having stated as additional works, sums totalling Rs.1,579,535 had been paid in respect of other

activities. Accordingly, without completing the works required to be done according to the estimates and stating that additional works had been done, payments had been made. Nevertheless, having prepared a new estimate totalling Rs.1,966,943 again in the year 2017 for the works thus not executed, contract had been awarded.

### **3.9 Performance**

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Observations on the progress of the District Secretariat according to the Action Plan and the National Budget Estimate, 2016 are given below.

- (a) For the work implemented by the District Disaster Management Unit relating to the construction of sidewall and canals in the area where the persons displaced due to hazard of falling rocks at the Wewandan Estate were settled, provisions of Rs.6,978,442 had been made and out of that only a sum of Rs.3,834, 931 or 55 per cent had been spent.
- (b) Eighteen projects comprising 08 projects under the Decentralized Budget Programme, 01 project under Rural Infrastructure Facility Development Programme, 06 projects under Rural Infrastructure Facility Development Special Programme, 01 project (2015 continuous) under the Ministry of Sports and 02 projects under the Ministry of Upcountry New Villages and Infrastructure Facility Development had remained either unimplemented or partly implemented.
- (c) Although the Internal Audit Unit had carried out audit activities of 05 Divisional Secretariats for 58 days in the year 2015, the audit activities of the Divisional Secretariats had been carried out only for 43 days in the year 2016.

### **3.10 Irregular Transactions**

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Certain transactions entered into by the District Secretariat had been devoid of regularity. Several such instances observed are given below.

#### **(a) Deviation from the Government Procurement Guidelines**

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The following instances of deviation from the procedure of the Procurement Guidelines were observed at the audit test check carried out on the transactions of the District Secretariat.

- (i) Without evaluating all the bids of the bid documents so as to enabling the bids to be awarded to the institution to which such procurements should be awarded, the Procurement Committee had taken 04 procurement decisions.
- (ii) According to the Guideline 6.3.2 of the Government Procurement Guidelines, the bids received after the closing dates could not be considered as the valid bids to consider for procurement decisions, whereas there were 03 instances that the bids submitted after the closing date had been considered for procurement decisions by 02 Divisional Secretariats.

- (iii) There were 23 instances that the officers participated in the Procurement Committee meetings of the Kothmale and Ambagamuwa Divisional Secretariats had not been placed their signature for the procurement decisions.
- (iv) In terms of Guideline 6.3.3 (c) of the Government Procurement Guidelines, if the entity had decided not make purchases again from a certain institutions according to their prior services or supplies, bids invitations should not be sent to those institutions. But, there were 05 instances where the bids submitted had not been evaluated on various reasons.
- (v) Instead of accepting registered/sealed bids in terms of Guideline 6.3.1 of the Government Procurement Guidelines, the Ambagamuwa Divisional Secretariat had accepted personally delivered bids in 12 instances.
- (vi) In terms of Guideline 1.2.1 (c) of the Government Procurement Guidelines, calling for National Competitive bids should have been carried out by providing fair, equal and maximum opportunity for eligible interested parties to participated in procurement process. Contrary to that, it had been stated in the Procurement Plan that the procurement activities carried out from the provisions totalling Rs.22,500,000 made for the Capital Objects from the year 2001 to the year 2013 are expected to be commenced within the period from February to April 2016 and carried out by the Shopping Method.
- (vii) Without being complied with the Guideline 2.14.1 of the Government Procurement Guidelines, bids had been called for from only 02 institutions for cleaning services of the District Secretariat and an agreement amounting to Rs.3,300,000 had been entered into therefor. As the institute that quoted the minimum bids had not agreed with the conditions of the agreement, the contract had been awarded to the second supplier for excessive sum of Rs.324,000 without recalling for bids again.
- (viii) According to the Guideline 2.14.1 of the Government Procurement Guidelines, a procurement decision should be taken by calling for minimum of not less than 03 sealed quotations and bids should be called for again in an instance where the bids are not so submitted. Deviating from that requirement, 13 procurement decisions had been reached.
- (ix) In the contract relating to the applying paint of the Nuwara Eliya District Secretariat, estimates had not been prepared for applying Putty and Primer. Nevertheless, having stated 22 per cent of the total estimates as additional works, a sum of Rs.1,138,085 had been paid to the contractor. An approval of the Secretary to the Ministry which should be obtained in terms of Guideline 8.13.4 of the Government Procurement Guidelines for a contract variation over 10 per cent had not been obtained.

**(b) Other**

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Having issued cheques valued at Rs.622,623 for 03 projects as at 31 December 2014, that money had been retained in the General Deposit Account. Those projects had not been commenced even by October 2016.

**(c) Transactions without Authority**

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Although the Walapane Divisional Secretariat had paid allowances for 3000 elderly persons, only 2000 applications had been received therefor. Accordingly, payments amounting to Rs.2,000,000 had been paid for thousand elderly persons per month even without an application.

**3.11 Transactions in the Nature of Financial Frauds**

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When comparing the Fuel Register maintained by the Kothmale Divisional Secretariat relating to 02 motor vehicles with the Daily Running Charts, without including 383.87 liters of fuel valued at Rs.36,468 obtained according to the Fuel Register in the Daily Running Charts, money had been obtained producing false bills to the effect that fuel had been pumped to the vehicles.

**3.12 Losses and Damage**

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Observations on losses and damage revealed at the audit test checks are as follows.

- (a) The loss of Rs.137,050 of 2 motor vehicle accidents older than 10 years from causing the damage and loss of Rs.320,150 of 5 motor vehicle accidents caused during a period ranging from 5 years to 10 years had not been written off from the books or recovered from the persons responsible for after conducting inquiries in terms of Financial Regulation 104.
- (b) It had not been possible to obtain a correct assessment on the damage caused to the Kachcheri Building due to the fire broke out on 23 May 1994 over 22 years and those had not been covered by the accounts.
- (c) A sum of Rs.980,000 had been spent for the development of the playground of the Metibembiya Alokabedda Maha Vidyalaya in the year 2015. The concrete wall constructed had collapsed and it had not been rebuilt even by March 2017. Nevertheless, the persons responsible had not been recognized by conducting inquiries in terms of Financial Regulation 104.

**3.13 Unresolved Audit Paragraphs**

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Reference for paragraphs which had not been rectified by the District Secretariat in respect of deficiencies pointed out by audit paragraphs included in the Auditor General's Reports relating to the District Secretariat is as follows.



<b>Reference for the Report of the Auditor General</b>		<b>Terms of Reference</b>
<b>Year</b>	<b>Paragraph Number</b>	
2012	1.8.(a)VII	Irregular Transactions
2013	1.7.(a)I, II	Assets Management
	1.7 (c)	Assets Management
	1.8(a) V,II	Non-compliances
	1.14.III	Management Weaknesses
2014	3.8	Assets Management
	3.9	Non-compliance
	3.11	Irregular Transactions
	3.14	Management Weaknesses
2015	3.1 to 3.14	Irregular Transactions
		Assets Management
		Non-compliance
		Management Weaknesses

### **3.14 Management Weaknesses**

The following weaknesses were observed during the audit test checks.

- (a) Personal files of the officers of the Kothmale, Nuwara Eliya, Walapane and Hanguranketha Divisional Secretariats had not been updated.
- (b) For the damages caused to the houses of the Ramboda Grama Niladhari's Division of the Kothmale Divisional Secretariat Division in the year 2016, assistance amounting to Rs.390,000 had been sent by the Letter No.D.S.N/05/10/02/10 dated 31 March 2016 of the District Secretary in respect of 13 houses. Nevertheless, action had not been taken to award that amount to the beneficiaries even by 07 September 2016.
- (c) During the period from January to September 2016, 298 preschools with 8675 children had been in operation within 72 Grama Niladhari's Divisions in the jurisdiction of the Nuwara Eliya Divisional Secretariat. The programme of providing a glass of fresh milk had been implemented only in 22 preschools in 16 Grama Niladhari's Divisions. Accordingly, the number of children who received that benefit was 456 and 95 of the preschool children had been deprived of that benefit.
- (d) There were 85 registered preschools and 115 preschools and estate children development centres within the Kothmale Divisional Secretariat Division and 1900 children had been registered therein. Out of those children, 73 per cent had not been covered by the programme of the providing a glass of fresh milk.
- (e) Seven cheques valued at Rs.464,581 written in the year 2016, had been retained in hand without taking action to hand over to the payee even by 14 March 2017.
- (f) According to the Divineguma Subsidies Circular No.2015/06/01 dated 11 June 2015, the imprest allocated for the subsidies should be used only for that purpose. Nevertheless,

there were 114 instances that delays ranging from 30 days to 107 days had occurred to credit the money received by the Divinegema Community Based Banks of the Nuwara Eliya District from the Head Office to the accounts of the Divinegema beneficiaries in the year 2016. As the money had not been credited to the accounts of the beneficiaries on the due date, beneficiaries had been deprived of the opportunity to earn an interest of Rs.1,421,781.

- (g) A sum of Rs.8,128,350 had been credited to the accounts of the beneficiaries by 03 banks in 04 instances before financial assistance was remitted to the Bank from the Divinegema Department.
- (h) According to the Paragraph 4.4 of the Divinegema Subsidies Circular No.2015/06/01 dated 11 June 2015, it is the responsibility of all the officers of the Divinegema sector to use the imprest allocated for the subsidies only for the relevant purpose and settle the payments properly. Nevertheless, certain banks had delayed to credit the financial assistance to the accounts of the beneficiaries from 01 month to 04 months and as such financial assistance amounting to Rs.264,758,670 had been retained in the banks for more than a period of month.
- (i) Contrary to the directives of the Public Administration Circular No.11/2015 dated 20 May 2015, 19 Procurement Committees of the District Secretariat had been held on Wednesdays during the office hours.

### 3.15 Human Resources Management

#### Approved Cadre and Actual Cadre

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

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	34	25	09	-
(ii) Tertiary Level	20	11	09	-
(iii) Secondary Level	942	778	166	02
(iv) Primary Level	87	73	17	03
(v) Other (Casual/Temporary/Contract basis)	-	02		02
<b>Total</b>	<b>1083</b>	<b>889</b>	<b>201</b>	<b>07</b>

The following observations are made.

- (a) The 3 Staff Grade posts, the Divisional Secretary, Assistant Director (Planning) and Administrative Officer of the office in terms of the cadre approved by the Ministry of Home Affairs had remained in vacant and it had directly affect the performance of the Office.
  
- (b) The post of Social Services Officer and Elderly Rights Promotional Officer had remained in vacant and it had affect the smooth functioning of the Division.