

Report of the Auditor General on Head 261 – District Secretariat, Galle – Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 261 – District Secretariat, Galle 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 as 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 Galle, amounted to Rs.1,157.00 million and out of that Rs.1,151.92 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the District Secretariat, Galle amounted to Rs. 5.08 million or 0.44 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 | 1,079.00 | 1,074.73 | 4.27 | 0.40 |
| Capital | 78.00 | 77.19 | 0.81 | 1.04 |
| Total | 1,157.00 | 1,151.92 | 5.08 | 0.44 |
| | ===== | ===== | === | |

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

Provisions totalling Rs.3,271 million had been made available by other 26 Ministries and 17 Departments for various activities and out of that a sum of Rs.3,040 million had been utilized by the end of the year under review. Accordingly provisions totalling Rs.231 million or Rs.7.06 per cent 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, Galle under Item No. 26101 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 |
| 60.00 | 59.98 | 52.00 | 58.55 | 225.00 | 204.94 |

2.3 Imprest Account

The balance of the imprest account of the District Secretariat, Galle as at 31 December 2016 under Account No 7002/0000/00/0308/0016/000 amounted to Rs.0.19 million.

2.4 General Deposit Accounts

The balances of the 04 Deposit Accounts under the District Secretariat, Galle as at 31 December 2016 totalled Rs.402.37 million.

| Deposit Account Number | Balance as at 31 December 2016 |
|-------------------------------|---------------------------------------|
| | Rs. Millions |
| 6000/0000/00/0002/0094/000 | 4.94 |
| 6000/0000/00/0013/0062/000 | 29.44 |
| 6000/0000/00/0016/0045/000 | 309.07 |
| 6000/0000/00/0017/0015/000 | 58.92 |
| Total | 402.37 |
| | ===== |

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the District Secretariat, Galle 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 Books and Records

Elpitiya Divisional Secretariat which was under the District Secretariat, Galle had not updated the Register of Fixed Assets in terms of Treasury Circular No. 842 dated 19 December 1978.

3.2 Provisions made available by other Ministries and Departments

The following deficiencies were observed during the audit test check carried out on the utilization of provisions made available by other Ministries and Departments for the District Secretariat, Galle.

(a) Ministry of National Policy and Economic Affairs

The following observations are made.

- (i) An allocation of Rs. 30,000,000 had been received under Provincial Development Program in the year 2014 for Renovation of Elpitiya Public Playground. Preparing estimates, approving and supervision of work under 2 stages had been assigned to Provincial Deputy Chief Secretary (Engineering Service) and had been entered into agreement on 10 November 2014 with the concurrence of completing the stages 1 and 2 within 50 days with a contractor who had been selected from limited quotations. Following deficiencies were revealed in this regard.
 - A sum of Rs. 28,971 for the first stage and a sum of Rs. 12,278,179 for the second stage had been paid by the month of October 2016. It was revealed in the physical verification made on 28 October 2016 that the work had not been completed.
 - Though that contract had to be completed within 50 days, a sum of Rs. 150,000 for Technical Officer for 6 months, a sum of Rs. 315,000 for Site Engineer in the second Stage for 09 months had been estimated under

preliminaries in Bill of Quantities of that contract agreement and those officers had not been engaged to supervise the work.

- The Performance Bond had been presented by Insurance Company contrary to the letter of acceptance.
 - A sum of Rs. 3,354,000 had been paid for 6450 meter cubes based on the measurement of compacted soil supplied by the contractor without a lab report for the quality of the supplied soil.
 - A sum of Rs. 956,535 had been over paid due to payment of spreading and compacting of soil under work item No. B-3 with the base of man power though it was commenced on machineries.
 - A sum of Rs. 799,600 had been over paid due to using of sea sand instead of using river sand as per the estimated work item.
 - A sum of Rs. 248,640 had been over paid due to laying of 50 millimeters sand layer instead of 150 millimeters sand layer as per the plan which was to be laid into the drain footer.
 - Water transport drain system had not been constructed according to the relevant standard.
- (ii) A contract had been awarded to a construction institute by Elpitiya Divisional Secretariat on 12 December 2016 to concrete 107 liner meters from the end point onward of concreting of kurupalpola road under an estimated amount of Rs. 494,689. Though as per the estimate, the concrete layer of the road should be constructed with the thickness of 5 inches, it was observed sum instances that the thickness was in 4,3 and 2 inches in many places of the road. Concrete layer had been cracked in many places of the road and concrete layer had been broken in another three places.
- (iii) Contracts had been awarded to an Agrarian Organization by Elpitiya Divisional Secretariat in 08 December 2016 for concreting of 400 meters of Wallabagala Papiliyana road under an estimated amount of Rs. 1,942,013. Road had been cracked in 07 places across the road due to non-using of relevant concrete mixture for the laid concrete surface.
- (iv) Contracts had been awarded to an Agrarian Organization by Elpitiya Divisional Secretariat for laying pre cast hollow blocks in 168.5 meters of Uduvila Madawatha road under the estimated amount of Rs. 1,456,357 and the work had been completed. As per the estimate under work item No.04, though the two sides of the road which the pre cast hollow blocks were laid should be concreted with a depth of 8 inches and width of 6 inches, concrete had been laid with a depth of 5 inches and width of 6 inches in 283 liner meters. Accordingly, the

total amount of Rs. 162,766 had been paid for the whole work item contrary to the estimate including the work non-performed.

- (v) Though the work of the project of cutting new canal of 970 liner meters through Karuwaladeniya paddy field by Baddegama Divisional Secretariat had been completed by spending a sum of Rs. 906,574, the water of the constructed canal had not been drain out due to non-constructing of culvert through the road which is running in the middle of the paddy field, and canal had been remained un usable as at 08 March 2017 due to gathering one foot of mud and had been become a jungle.
- (vi) A sum of Rs. 500,000 under Palath Naguma Development programme and a sum of Rs.100,000 under Ruhunu Udana Development programme in Southern Provincial Council had been provided by Ministry of Economic Development in the year 2014 to rehabilitate Pottaniyaya weir in Ginimellagaha field by Baddegama Divisional Secretariat. Agreements had been made with a contractual Association on dates of 03 November and 08 December 2014 to commence the work. Though 08 anicuts had been constructed as at the end of the year 2014 by spending a sum of Rs. 490,000 to lay cylinders, the balance amount of Rs.100,000 had been returned due to non-placing of its water control gates. Due to non-completion of that part of the project, the completed work portion had been remained idle and kept without using for more than 02 years.

(b) Department of Divi Naguma Development

It was identified as outdated loan which was given to 302 beneficiaries for totalling Rs.8,283,587 and as bad debts which was given to 90 beneficiaries for totalling Rs.1,147,054 from 3 Divi Naguma Community base banks in the area of Imaduwa Divisional Secretary as at 31 December 2016, and recovery of these amounts had been doubtful.

3.3 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 296 deposit balances older than 02 years totalling Rs.158,033,225.

3.4 Reconciliation Statement of the Advances to Public Officers Account

According to the audit test check carried out on the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No 26101, the loan balances of Rs. 976,745 which was recoverable from 05 Officers retired out from 03 Divisional Secretariat had not been recovered from the gratuity.

3.5 **Assets Management**

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

(a) **Idle and Under-utilized Assets**

The following observations are made.

- (i) Though the jeep and Nissan motor vehicle belong to District Secretariat which were taken off from running had been lapsed 07 months and 02 years as at 31 December 2016 respectively. No action had been taken in this regard.
- (ii) Though more than 17 years had been lapsed since the opening of Government quarters of Yakkalamulla Divisional Secretary which was constructed in the year 1999, no Divisional Secretary had occupied in this during that period.

(b) **Improper Utilization of Non-acquired Assets**

Information to verify the ownership of the land of 01 acre 03 rood 21 perches had not been presented to audit in which Bope- Poddala Divisional secretariat is situated.

3.6 **Implementation of Projects under Domestic Financing**

Two projects valued aggregating Rs.791,721 belong to Baddegama Divisional Secretariat and 06 projects aggregating Rs.2,785,000 belong to Hikkaduwa Divisional Secretariat which had been planned to implement in the year under review had been abundant without initiating the work.

3.7 **Performance**

Insufficient performance of Main Activities

Acquisition activities of Apthowatta land of 467 acres 1 rood 26 perches situated in 218 C Ukovita Grama in the area of Nagoda Divisional Secretary had been started in the year 1999 in association with Nagada Divisional Secretary and Southern Development Authority with the view of distributing lands to people without a land in accordance with the village expansion programme conducted by the Ministry of Land. Following observations are made in this regard.

- (a) That land had been taken to the custody of Divisional Secretary by issuing sub order of 38 (b) of land acquisition from the Notification published in the Gazette No. 1080/13 dated on 21 May 1999.

- (b) Out of that 61 acres 142 perches had been distributed as at the year 2016 under village expansion programme and further 01 acre 58 perches had been given to hotel industry contrary to the objectives.
- (c) It was identified land of 169 acres as un suitable for distribution and though a survey request had been sent to Survey Department in the year 2015 in view of giving that land to the Department of forest, those activities had not been performed even as at 22 June 2017.
- (d) A sum of Rs. 1,600,000 had been given to Divisional Secretary by Sri Lanka Southern Development Authority on 19 October 1999 for the land acquisition. Though a sum of Rs. 1,856,714 earned by investing that amount had been credited to Government Revenue, no evidence had been presented and a sum of Rs. 1,585,625 had been kept in General Deposit Account.
- (e) Therefore though 17 years had been lapsed from acquisition of land with a view of village expansion, it had not been able to complete that project successfully and that land had been under the custody of encroachers.

3.8 Irregular Transactions

Computer and Accessories amounting to Rs. 627,650 had been procured from 03 Institutions by Gonapeenuwala Divisional Secretariat on 31 December 2016. The letters for this procurement had been prepared by the procurement committee on 30 December 2016 to call bids from 05 institutions and the same date was the closing date of bidding. Though bids had been presented only one Institute at that date, price comparison had been made by mentioning 30 December 2016 in the date stamp for the bids received after the 30 December 2016 from 03 other Institutions which the request letters for bidding were not sent at the time of considering the bids by the Procurement Committee. Accordingly procurement had been done from the institution who received price request and 02 Institutions whose quotations were received later, and it was observed that a procurement procedure of this purchase had not been conducted properly or transparent.

3.9 Losses and Damage

The observations relating to the losses and damage revealed during audit test checks are given below.

- (a) Two court cases were being heard with regarding the cheque fraud of Rs. 815,650 committed by an Officer while he was engaging in duties at Karandeniya Divisional Secretariat. Therefore the loss incurred due to the cheque fraud had not been recovered from responsible parties.
- (b) As per the court decision made in Galle District Court with regarding the accident cause to vehicle belonging to the Ambalangoda Divisional Secretariat on 26 June 2001, the loss

of Rs. 130,168 had not been recovered from the second accused even as at the end of the year under review.

3.10 Unresolved Audit Paragraphs

Reference to audit paragraphs relating to the District Secretariat, Galle included in the Reports of the Auditor General on which deficiencies pointed out had not been rectified is given below.

| Reference to Report of Auditor General | | Subject under Reference |
|--|------------------|--|
| Year | Paragraph Number | |
| 2014 | 3.3 | The quarters of the Administrative Officer belonging to the Divisional Secretariat had been occupied by an external party for over 05 years period, while the rent of the quarters amounting to Rs.76,200 had to be recovered further. |
| 2014 | 3.1 (a) (ii) | The mobilization advances amounting to Rs.139,333,203 granted to Sri Lanka Engineering Corporation for 27 projects for roads carpeting in the years 2011 and 2013 had not been settled even by 31 December 2016. |
| 2015 | 3.2.2(d)(i) | Even though over one year had elapsed after spending a sum of Rs.1,363,328 to the contractor as mobilization advance for the Batapola District Hospital Development Project on 22 December 2014, a sum of Rs.60,929 as consultancy fees on 09 December 2014 and a sum of Rs.16,250 as Procurement and Technical Evaluation Committees allowances on 19 December 2014, the work of the project had not been commenced even by 31 July 2016 while the action also had not been taken to recover the advances paid. |
| 2015 | 3.2.2(d)(ii) | It had been spent a sum of Rs. 1,253,676 to the contractor as mobilization advance on 29 December 2014, a sum of Rs. 56,019 as consultancy service charges on 09 December 2014 and a sum of Rs. 16,250 as procurement and technical evaluation committee allowances on 19 December 2014 for the |

Project of Reconstruction of Ambalangoda, Khatapitiya Playground. The agreement period of this project had been elapsed by 31 July 2016 and though a period of over one year had been lapsed from the date of making above payments, the work of the project had not been completed even for 20 per cent.

3.11 Management Weaknesses

The following management weaknesses were revealed during the course of audit test checks made with relating to the District Secretariats and Divisional Secretariats.

- (a) Twelve road concreting projects for estimated amount of Rs. 6,000,000 implemented through 03 Divisional Secretariats in the year 2015 and 03 projects for estimated amount of Rs. 1,277,556 implemented by Akmeemana Divisional Secretariat in the year 2016 from the allocation of Ministry of National Planning and Economic Affairs by District secretariats had been below the expected consolidated strength level. Because of non-implementing of those projects successfully, expected strength and durability of them had been doubtful.
- (b) The proposal to acquire the land of 36 acres 02 rood situated in Nakiyadeniya Grama Niladari Division which was belonging to Watawala Plantations Company, with a view of giving lands to families residing in Nakiyadeniya Godahenakanda which was victim on landslide, and giving lands by Yakkalamulla Divisional Secretary to people without a land had been presented in the year 1997. The decision of the Court case with the Plantation Company regarding the surveying of the land had been received on 17 October 2001 and though 15 years had been lapsed from the receiving of the decision, remedial actions had not been taken to complete the acquisition process of that land.
- (c) Un authorized usage had been made for a period ranging from 01 year to 30 years by 09 people in 09 land lots belonging to Government and the land aggregate equaling to 83 perches which was situated in 02 Grama Niladari Divisions in the area of Kadawathsathara Divisional Secretary.
- (d) Three hundred seventy houses in 08 Tsunami Housing schemes constructed within the area of Kadawathsathara Divisional Secretary had been given to displaced persons and out of those houses, the deeds had not been given by clearing the titles of 205 houses even as at 02 September 2016.
- (e) Even though the activities of acquisition lands for Hapugala water purify of Magalle water supply project had been completed by Bope Poddala Divisional Secretariat, out of the provision received in this regard, a sum of Rs.191,550 had been kept in General Deposit Account even as at the month of July 2017. It was observed that a shortage of Rs.55.67 to pay survey charges had been resulted for the delay in these activities.

- (f) Two license had been given under lease basis by Baddegama Divisional secretariat, to a person for crushing stones in lots No.13,16 and 15,18 belongs to survey plan 1715 situated in Thilaka Udagama Grama Niladari Division. Actions had not been taken to cancelled the license due to crushing of stones in lots No. 19 and 23 by exceeding the limit authorized from the license in the lots No. 15,18 and to recover the Government portion from the crushed stones.
- (g) A sum of Rs. 2,850,000 had been paid to Imaduwa Divisional Secretary by Imaduwa Pradeshiya Sabha on 20 October 2014 with regarding the acquisition of lands for Bogahagoda City Development by Imaduwa Divisional Secretariat. Though more than 02 years had been lapsed as at the date of 04 April 2017 for the giving of cash, the acquisition was in initial stage and the received cash had been kept for longer period without investing.
- (h) Receivable Motor Cycle amount of Rs. 698,920 had not been recovered from 05 Development Officers who were taken appointments in grade 1(a) of Class 3 of Sri Lanka Teachers Service from Divisional Secretariat Service due to non-taking actions as per the instructions in the letters Nos. BD/GPS/130/9/14/MC (ii) and MC (iii) of Elpitiya Divisional Secretariat dated on 07 July 2015 and Director General of National Budget dated on 06 January 2016 respectively.

3.12 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 Cadre |
|-------|---|----------------|--------------|---------------------|--------------|
| (i) | Senior Level | 65 | 62 | 03 | - |
| (ii) | Tertiary Level | 44 | 31 | 15 | 02 |
| (iii) | Secondary Level | 1,775 | 1,673 | 133 | 31 |
| (iv) | Primary Level | 173 | 159 | 15 | 01 |
| (v) | Other (Casual/ Temporary/ Contract Basis) | - | 06 | - | 06 |
| | Total | 2,057 | 1,931 | 166 | 40 |

The following observation is made.

Thus there were 40 numbers of excess in the cadre even as at 14 July 2017, actions had not been taken to get formal approval in this regard.