

Report of the Auditor General on Head 277 –District Secretariat, Monaragala - 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the District Secretariat, Monaragala 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 15 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, 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 to the District Secretariat amounted to Rs.584 million and out of that Rs.577.23 million had been utilized by the end of the year under review. Accordingly, the savings out of net provision of the Secretariat amounted to Rs.6.77 million or 1.16 per cent of the total net provision. 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	464.00	458.73	5.27	1.14
Capital	120.00	118.50	1.50	1.25
Total	584.00	577.23	6.77	1.16

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

Provisions totalling Rs.1,624 million had been made available by other 22 Ministries and 19 Departments to the District Secretariat for various activities out of which Rs.1,356 million had been utilized by the end of the year under review. Accordingly, Rs.268 million or 16.5 per cent out of the provisions made had been saved.

2.2 Advance Account

Advances to Public Officers Account

The limits authorized by Parliament for the Advances to Public Officers Account of the District Secretariat under the Item No.27701 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
34.00	33.78	28.00	32.61	125.00	92.16

2.3 General Deposit Accounts

The balances of the 05 Deposit Accounts under the District Secretariat as at 31 December 2016 totalled to Rs.111.56 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
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	Rs. Millions
6000/0000/00/0013/0079/000	25.63
6000/0000/00/0016/0027/000	83.93
6000/0000/00/0018/0038/000	1.90
6000/0000/00/0001/0060/000	0.01
6000/0000/00/0017/0000/000	0.09
Total	<u>111.56</u>

2.4 Audit Observation

Subject to the audit observations appearing in Paragraph 1.1 of the Management audit report, the appropriation account and the reconciliation statement of the District Secretariat for the year ended 31 December 2015 have been prepared satisfactorily. The material and important observations out of the observations included in that Management Audit Report appear in Paragraph 3 of this report.

3. Material and Significant Audit Observations

3.1 Lack of evidence for audit

The following observations are made.

- (a) Documents such as loan applications, agreements, approval of the Board of Control, payment vouchers, mandates etc. in respect of loans totaling Rs.3,250,000 granted to 11 loan applicants by the Sewanagala Community Based Bank were not made available for audit.
- (b) Payment particulars, name of payee, address etc. relating to the cheque valued at Rs.300,000 issued by the Sewanagala Community Based Bank were not made available for audit.

3.2 Replies to Audit Queries

Replies to 50 Audit Queries issued to the District Secretariat during the year under review had not been presented. The value of transactions relating to those audit queries can be computable at Rs.104,759,526.

3.3 Appropriation Account

3.3.1 Budgetary Variances

The entire provision of Rs.1,005,000 made through the supplementary estimates by the District Secretariat had been saved.

3.3.2 Provisions made available by other Ministries and Departments

At a test check carried out in respect of utilization of provisions made available from other Ministries and Departments to the District Secretariat for the fulfillment of various activities observed the following deficiencies.

(a) **Ministry of National Policies and Economic Affairs**

The following observations are made.

- (i) Without being complied with the provisions in the Circular No.1/2016 dated 26 November 2015 of the Ministry of National Policies and Economic Affairs, a total sum of Rs.3,004,237 had been spent by the District Secretariat and the Divisional Secretariat, Monaragala for the following purposes under the Decentralized Budgetary Provisions.

Purpose -----	Expenditure ----- Rs.
- Repairs to 12 schools belonged to Uva Provincial Council	1,209,644
- Supply of goods privately used by pre-school children by the Divisional Secretarits of Bibila, Monaragala, Thanamalwila, Katharagama and Sewanagala.	1,494,593
- Provision of T-shirts to youth by the Divisional Secretariat, Bibila	300,000
Total	----- 3,004,237 =====

- (ii) Contrary to the Circular No.01/2016 dated 26 November 2015 of the Ministry of National Policies and Economic Affairs, 7,582 units of goods valued at Rs.1,298,604 purchased under the Decentralized provision had not been distributed among the beneficiaries even by 31 January 2017.
- (iii) Out of the provision received by the District Secretariat as Administrative Expenses for the implementation of Decentralized Budget Development Programme, a sum of Rs.498,380 had been spent for expenses, irrelevant to that programe.
- (iv) Action had not been taken to distribute 284 items of goods valued at Rs.716,020 purchased by the Divisional Secretariat, Badalkumbura in the years 2013 and 2014 under various development programs even by the date of audit on 14 December 2016.

(b) Department of Divineguma Development

The following observations are made.

- (i) Out of the loans of Rs.325,000 given to two beneficiaries on 13 July 2016 by the Sewanagala Divineguma Community Based Bank under the Livelihood Development Programme, Loan installment or interest thereon had not been recovered.

- (ii) Out of the loans totaling Rs.3,550,000 given to 12 beneficiaries during the period 29 April 2015 to 28 July 2016 by the Sewanagala Divineguma Community Based Bank Rs.3,491,537 or 98.35 per cent were not recovered even by 27 December 2016, the date of audit.

3.4 General Deposit Account

Action in terms of the Financial Regulation 571 had not been taken in respect of contract deposit of Rs.24,299,429 relating to the District Secretariat and 10 Divisional Secretariats, lapsed for more than 2 years.

3.5 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement of the advances to public officers account bearing Item No.27701 as at 31 December 2015, the balances due from officers who had retired, deceased, gone on transfer, vacated of post and interdicted totalled Rs.4,500,855. The District Secretariat had failed to recover those loan balances, remained outstanding for periods ranging from 01 to 05 years.

3.6 Good Governance and Accountability

3.6.1 Internal Audit

Seventeen internal audit reports had been issued to 11 Divisional Secretariats during the year under review in terms of Financial Regulation 133(2)(a) but any internal audit reports whatsoever had not been issued relating to the District Secretariat.

3.6.2 Audit and Management Committee

Nineteen issues, to be considered by the audit and management committee had been stated in the Management Audit Circular No.DMA/2009(1) dated 28 January 2009. Audit and Management Committee had not been functioned by paying attention to those issues.

3.7 Assets Management

Audit test check carried out in respect of assets of the District Secretariat observed the following deficiencies.

(a) Idle and Underutilised Assets

A motor vehicle belonged to the Divisional Secretariat, Wellawaya had been idle for about 2 ½ years.

(b) Conducting Annual Board of Survey

Although shortages of 68 units belonging to 10 types of goods mentioned in the Board of Survey reports for the year 2016 relating to the Divisional Secretariats, Kataragama, Medagama and Wellawaya, action in terms of Financial Regulation 757 (2) and (3) had not been taken in that regard.

3.8 Unsettled Liabilities

The balance of settled liabilities of the District Secretariat as at 31 December 2015 amounted to Rs.364,182 and it had been a period of less than 01 year.

3.9 Non – compliances

(a) Non-compliance with Laws, Rules and Regulations

Audit test check observed the following instances of non-compliance with the provisions in Laws, Rules and Regulations.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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Financial Regulation of the Democratic Socialist Republic of Sri Lanka	Rs.	

(i) Financial Regulation 104(4)	-	The full report had not been prepared by the District Secretariat in respect of 06 motor vehicle accidents, though periods from 01 to 16 years had elapsed after the accidents being occurred.
(ii) Financial Regulation 137	530,815	Payments for 2 unapproved vouchers had been made by the Divisional Secretariat, Wellawaya. Two cheques issued for those payments had been retained in hand for more than 06 months and credited to the government revenue on 12 June 2017.
(iii) Financial Regulation 215(3)(b)	142,000	A sum of Rs.142,000 had been accounted as an expense without obtaining the Treasury approval by the Divisional Secretariats, Monaragala and Sewanagala and retained in the Deposit account.

(b) Payment of taxed for contracts

The Value Added Tax of Rs.2,036,250 had been paid to a contractor who had not registered for VAT by the District Secretariat in the years 2014 and 2015.

3.10 Implementation of Projects by Domestic Funding

Deficiencies observed during the course of audit test checks carried out in respect of projects executed under domestic funds are given below.

(a) Projects not shown progress though funds had been released

The following observations are made.

- (i) A sum of Rs.3,679,240 had been spent for the initial stage of 3 drinking water projects under the National Plan for Economic Development for the year 2014 in the Divisional Secretariat, Madagama. The second and the final stages of those projects which commenced with the objective of provision of water facilities to 1398 beneficiaries had not been implemented in the years 2015 and 2016.
- (ii) A sum of Rs.391,075 had been spent for the purchase of barded wires, concrete polls and other equipment required for making fence of the official quarters belonging to the District Secretariat. Before purchasing of those materials, a technical officer's estimate had not been prepared and 255 concrete polls valued at Rs.191,250 had not been received by the office even by the date of audit on 20 March 2017.
- (iii) Even though a water pump and other required accessories valued at Rs.399,976 had been provided by the Divisional Secretariat, Sewanagala for the Uswari Water Scheme in the Punchiwewa Domain under the Decentralized provisions, the project had not been implemented.

- (b) Release of money without supplying goods and services

A sum of Rs.1,077,500 had been paid to a private entity on 31 December 2016 for the repair of 2 motor vehicles belonging to the District Secretariat. Those 2 motor vehicles had not been handed over to the District Secretariat after being repaired even by the date of audit on 16 March 2017. The cheque issued to the Private entity had been presented to the bank on 27 February 2017 and got the money.

3.11 Performance -----

The following observations are made in respect of the progress of the District Secretariat according to the Action Plan for the year 2016.

- (a) Main functions not adequately performed

A provision of Rs.500,000 had been made from the annual budget estimates for 2016 for the training of staff in the District Secretariat. A sum of Rs.400,017 of that provision had been spent for foreign tours of 4 officers in the District Secretariat without spending for staff training.

- (b) Not performed in accordance with Action Plan

Fourty activities included in the action plan for the year under review by 5 Divisions of the Divisional Secretariat, Thanamalwila had not been implemented and 13 activities had been completed less than the targeted level.

3.12 Transactions of contentious nature -----

Certain transactions carried out by the District Secretariat had been of contentious nature. Particulars of such transactions revealed at audit test check are given below.

- (a) In the testing of fuel consumption of a vehicle of the District Secretariat it was revealed that 10.02 km per liters could be run. As a result of giving recommendation by the Motor Vehicle Examiner that fuel could be balanced as 7 km per liter had been run, 5840 liters of fuel had been excessively issued to the vehicle during the period from June 2014 to December 2016.

- (b) A government forest, 200 hectares in extent belonging to the Department of Forest Conservation located in the area of Authority of the Divisional Secretariat, Buttala and another government forest, 400 hectares in extent belonging to the Department of Forest Conservation located in the area of Authority of the Divisional Secretariat, Wellawaya had been encroached and possessed by a Private Company since 2010. That land had been transferred to an another company for the plantation of plantains.

3.13 Irregular Transactions

----- Diviation from Government Procurement Guidelines -----

The following observations are made in that regard.

- (a) Although the 3rd member of the Procurement Committee should be person outside the procuring entity, contrary to that, 34 procurement decisions valued at Rs.9,067,855 had been taken by a procurement committee consisting of 3 officers in the Divisional Secretariat, Thanamalwila itself.
- (b) Goods valued at Rs.3,428,005 and Rs.1,402,500 had been purchased by the Divisional Secretariat, Wellawaya in 2 instances in the year under the shopping method by 2 procurement decisions in excess of the Authority limit of Rs.one million.
- (c) Without complying with the Procurement Process to select an institution for the Supply of Security Service to the District Secretariat and 11 Divisional Secretariats for the period 01 May 2016 to 30 April 2017, it had been awarded to a government institution for an agreed amount of Rs.9,541,800. A private entity had been selected to provide security services for the previous period by following the Procurement Procedure and the contract had been awarded to them for a sum of Rs.6,249,600. As action had not been taken in accordance with the procurement procedure, the expenditure incurred on the provision of Security service for the period under review had exceeded by Rs.2,823,318 than that of the previous period.

- (d) A sum of Rs.768,080 had been paid in the year 2015 for the purchase of various equipment required for the Monaragala Day Care Centre by the District Secretariat. At a physical verification carried out in that regard, it was observed that equipment purchased at Rs.333,770 had not been supplied in accordance with the type of equipment determined and stated in the Technical Evaluation Committee report.
- (e) Although a sum of Rs.423,079 had been spent by the District Secretariat to fix electronic appliances with modern technology to 5 motor vehicles, that equipment fixed had not been in operational condition even by the date of audit on 20 March 2017.
- (f) A sum of Rs.399,960 had been paid by the Divisional Secretariat, Bibila for the purchase of equipment to be distributed among the Dhamma Schools, but the type of equipment which was difference from the equipment decided to purchase had been supplied by the supplier.

3.14 Transactions of fraudulent nature

Particulars of transactions of fraudulent nature observed at audit test check are given below.

- (a) Instead of a loan of Rs.25,000 under the Livelihood Development Loan Scheme in the Sewanagala Divineguma Community Based Bank, a loan of Rs.300,000 had been issued with the approval of the Board of Control. A sum of Rs.275,000 of it had been taken by another officer of the Bank.
- (b) The application of an applicant who requested a loan of Rs.50,000 had been rejected by the Sewanagala Divineguma Community Based Bank. Subsequently, a loan of Rs.250,000 had been issued in the name of that applicant but it was not established that the loan had been taken by the applicant.

- (c) Without fulfilling the basic requirements in respect of issue of loans under the Sewanagala Divineguma Community Based Bank Ratawiru loan scheme loans of Rs.900,000 had been released in the name of 4 beneficiaries placing their signatures, but those loans had not been received by the relevant beneficiaries.

3.15 Overpayments

Over payments made relating to the Divisional Secretariats observed in audit test checks are given below.

- (a) An overpayment of Rs.222,423 had been made in making payments to 8 works implemented by the Divisional Secretariat, Bibila for works not performed.
- (b) In making payments to 39 works implemented by the Divisional Secretariat, Monaragala an over payment of Rs.1,054,354 had been made due to non-use of plant mixed rate, non use of specific rate for carved planks, making payments for ABC, use of incorrect rate for earth cutting, non-use of specific rate for transport of earth etc.

3.16 Losses and Damage

Observations made at audit test check carried out in respect of losses and damages are given below.

- (a) Eventhough a new assessment had been given after being assessed the government quarters belonged to the District Secretariat, rent had been recovered based on the valuation report in the year 2010 without taking action to recover rent based on the new valuation. As such house rent of Rs.608,225 had been under recovered.
- (b) The Administrative Officer's government quarters No.04 belonged to the Divisional Secretariat, Monaragala had been given to operate another 2 institutions. Action had not been taken to recover the sum of Rs.362,750 due from that quarter.

- (c) In recovering rent from the officer who occupied the Account's Government quarters of the Divisional Secretariat, Bibila for the period 2010 to January 2014, a sum of Rs.117,634 had been under recovered.
- (d) Even though 1.265 per cent of the income should be charged in issuing monthly revenue certificates by the Divisional Secretariat, Kataragama only 01 per cent had been recovered and as such a sum of Rs.59,326 had been deprived of.
- (e) Demurrage charge of Rs.45,157 had not been recovered from 3 projects implemented by the Divisional Secretariat, Monaragala in the year 2016.

3.17 Unresolved Audit Paragraphs

Reference to Paragraphs which had not been rectified the deficiencies indicated in the audit Paragraphs by the District Secretariat included in the report of the Auditor General relating to the District Secretariat, is given below.

Reference to the report of the Auditor General		Subject Matter
Year	Paragraph No.	
2006	8.7.2 (a)(i)	Without following the Guideline 3.9.1 and 3.9.2 of the Government Procurement Guidelines, the Divisional Secretariat, Thanamalwila had given a sub contract in the construction of 26 trade stalls by spending a sum of Rs.1,950,000.
2008	10.4 (e) (i)	Deficiencies and discrepancies, incurred in the construction of Janasabha offices at Bopitiya, Thenagalanda, Weheragala and Kahambana under the Gamaneguma program in the years 2006/2007.

2010 4.1(i) The recovery of a loss of Rs.375,000 incurred due to causing accident to a cab in the year 2002 belonged to the Divisional Secretariat, Wellawaya.

3.18 Management Weaknesses

The following weaknesses were observed at audit test checks carried out in respect of transactions of the District Secretariat.

- (i) The recreation house bearing No.63 belonged to the Divisional Secretariat, Katharagama had been given to only one officer for a monthly rental of Rs.100 for a period of more than 15 years for occupation without being assessed since 2001.

- (ii) Combined allowance of Rs.22,500 had been obtained for same dates from both institutions by the Accountant of the Divisional Secretariat, Madulla who performed the duties of the Account in the District General Hospital, Monaragala in addition to the duties of the substantive post.

3.19 Human Resources Management

Approved Cadre and Actual Cadre

The cadre position as at 31 December 2016 is given below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	40	35	05
(ii) Tertiary Level	24	07	17
(iii) Secondary Level	741	657	84
(iv) Primary Level	110	96	14
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Total	<u>915</u>	<u>795</u>	<u>120</u>

The following observations are made in this regard.

- (a) Forty four officers in the Divisional Secretariats of Katharagama, Madulla and Badalkumbura had been in the service of the same office without change of station transfers for a long time ranging from 07 years to 25 years.
- (b) The Administrative Grama Niladhari post from 7 years, Technical officer post from 15 years, Information and Communication Technology Assistant's post from 7 years had been vacant in the Divisional Secretariat, Badalkumbura.
- (c) The Information and Communication Technology Assistant's post from 10 years. Administrative officer post from 9 years . Administrative Grama Niladhari post from 4 years and Assistant Divisional Secretary post from 2 years had been vacant in the Divisional Secretariat, Madulla.