

Report of the Auditor General on Head - 263 District Secretariat, Hambantota - Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to audit by the District Secretariat. The financial and physical performance reflected from that account and the reconciliation statement were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer and the Accounting Officer

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the District Secretariat, Hambantota – Head 263 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the District Secretary on 21 June 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the District Secretariat, Hambantota for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraphs 2.1 to 2.16 of this report. It was observed that the accountability as the Accounting Officer has been executed, to ensure the adequacy of the financial control satisfactorily subjected to the following summarized audit observations revealed in the performance of the provisions of the Financial Regulations 128 of the Democratic Socialist Republic of Sri Lanka.

Financial Regulation 128 (1) Accountability of the Accounting Officer	Not comply with that Provision by the Accounting Officer	Reference to the Paragraph included Observation
Financial Regulations		
128(1)(a)	The work of his Department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized and that an endeavour is made, to complete the programme of work laid down for the year and/ or to attain the targets specified.	1. Not preparing realistic budget estimates 2.10 (i) 2. Deficiencies in implementing procurement process 2.4 3. Non execution of activities 2.3.1 (a) 4. Non-achieving sustainable development objectives. 2.3.1(b)
128(1)(c)	The Financial Regulations and other Supplementary instructions of the Government are adhered to in his Department and that they are supplemented by Departmental instructions where necessary.	Non-compliances 2.13

128(1)(e)	Adequate and proper arrangement are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and where they are disposed of such disposal is according to prescribed Regulations and instructions.	Deficiencies in assets management.	2.5
128(1)(h)	Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and actions pursued to expedite their money.	<ol style="list-style-type: none"> 1. Recovery of outstanding loan balances of Advances to Public Officers Account. 2. Fees receivable from Private Institution. 	<p>2.11</p> <p>2.8</p>
128(1)(n)	That the security deposits are made in terms of applicable law and order at that time, by the officers who are required to keep security deposits.	Deficiencies in taking security deposits from relevant officers	2.16
128(1)(o)	The procedure laid down in Financial Regulations 103 to 108 is adhered to in case of losses to Government by the delays, negligence, faults or frauds on the part of officers/ employees and surcharges are imposed on officers/ employees responsible for such losses in terms of FR 156(1).	<ol style="list-style-type: none"> 1. Losses and damages 2. Transactions of contentious nature 3. Non taking security deposits from officers engaging in cash activities 	<p>2.6</p> <p>2.9</p> <p>2.16</p>

2. Material and Significant Audit Observation

2.1 Key Activities of the District Secretariat

- (a) Coordination of Government activities in Divisional and village level by the Divisional Secretariat as well as implementing of activities entrusted by law, collection of relevant payment and revenue.
- (b) Collection of revenue and payments by acting as agents of Other Ministries and Departments.
- (c) Implementation of Decentralized Budget and other Development programs in Divisional Secretariat level and payments thereon.
- (d) Engaging in activities entrusted to Provincial council as necessary and collection revenue and payment activities which should be performed there to.

2.2 Institutions under the District Secretariat and Activities carried out

Institutions established under the District Secretariat Hambantota and the role of those institutions is given below.

Institutions under the District Secretariat	Authority for the Establishment	Role of the Institution
Divisional Secretariats: - Hambantota Ambalantota Tissamaharama Lunugamwehera Sooriyawewa Tangalle Beliatta Weeraketiya Okewela Walasmulla Katuwana Angunukolapalassa	Transfer of Powers (Divisional Secretariats) Act No.58 of 1992	Implementation of administration and development activities assigned by the Central Government and Provincial Councils in Divisional level.

2.3 Performance

2.3.1 Non-execution of Activities

- (a) Provisions of Rs. 28,161,812 provided to 05 Divisional Secretariats through 3 different Line Ministries during the year under review for the implementation of 18 development projects had been return due to inability to implement relevant projects within due period or several other reasons.
- (b) Though District Secretariat and Divisional Secretariats under the purview of it had aware the “Sustainable Development Agenda for the year 2030”, sustainable development objectives and targets had not been identified and achieving of sustainable development objectives and targets had not been included in the action plan of the District Secretariat. Steps had not even been taken to get provided allocations for this and also to identify the necessary human and psychical resources.

2.4 Taking Supplies and Services through Procurement Process

According to the Guideline 3.3 of Procurement Guideline 2006, the procedure of limited/restricted invitation to bid could be followed when only a few sources available for procurement. However though a sum of Rs. 16.93 million had been spent by the District Secretariat during the final quarter of 2017 to procure computers, computer accessories and tab machine; limited quotations had been called from selected 12 Institutions in the area of Ambalantota, Matara and Colombo without calling for National Competitive Bidding.

2.5 Assets Management

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

- (a) Fuel Consumption Tests not carried out

Fuel consumption tests of 15 vehicles belonging to the District Secretariat and Divisional Secretariats had not been performed in terms of paragraph 3.1 of the Public Administration Circular No.30/2016 dated on 29 December 2016.
- (b) Idle and Underutilized Assets

It was observed during the course of audit test checks that certain assets as categorized below were either idle or underutilized.

Office	Asset Category	Number of Units	Period of Idle or Underutilized
----- District Secretariat	Three Wheeler	01	06 Years
Divisional Secretariat Tangalle	Motor Cycles	02	03 Years
Divisional Secretariat Lunugamwehera	Motor Cycle	01	03 Years

(c) Assets Given to Outside Parties

A building belonging to Tissamaharama Divisional Secretariat and another building belonging to Lunugamwehera Divisional Secretariat had improperly been released to 5 several Government Institutions.

(d) Assets without Proper Acquisition

Actions had not been taken to acquire the new Official Quarters of District Secretary from Urban Development Authority, which were constructed in a land extent of 1.0366 hectares by spending a sum of Rs. 41,538,234 from the allocation provided to District Secretariat through annual estimates of 2013 and 2014.

2.6 Losses and Damage

Actions had not been taken to complete the activities in file with relating to losses and damages aggregating Rs. 10,305,337 with the value more than Rs. 25,000 in 23 instances occurred during the period from 1987 to the year 2017.

2.7 Unresolved Audit Paragraphs

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

Reference to Report of the Auditor General		Subject under reference
Year	Paragraph Number	
2007	6:5	Even though the sums had been paid to the Driving Training Schools for 110 unemployed youth in the area of Sooriyawewa and Lunugamwehera Divisional Secretariats, due training had not been given.
2008	12:2	
Directives of Committee on Public Accounts dated on 25 October 2012	Directive No.16	Twenty two Quarters constructed in the land belonging to the Hambantota District Secretariat had not been conveyed to the District Secretariat.
2012	1.5 (a) iii	The overpayment for the PVC pipes laid in the Ussana, Kirimetiya Water Project by Ambalantota Divisional Secretariat.

2.8 Management Weaknesses

Total of Rs. 1,792,590 should have to be recovered as rent amount of Rs. 1,065,375 and arrears electricity expenditure amount of Rs. 727,215 which were not recovered during the period from 2012 to 31 December 2017 with relating to communication towers installed in Hambantota Administrative Complex by 03 Private Institutions providing communication facilities.

2.9 Transaction of Contentious Nature

According to the register of daily running chart maintained to fill fuel for two power generating machines fixed in the premises of Hambantota Administrative Complex; though 11300 fuel liters had been purchased from 27 April 2016 to 31 December 2017, the amount of fuel filled to power generating machines were 9900 liters. Accordingly it was observed a shortage of 1400 liters of fuel amounted to Rs. 133,000.

2.10 Utilization of Provisions made by Parliament to execute Activities

2.10.1 Provisions made available, utilization and information above the saving of District Secretariat during the 05 years ending 31 December 2017 and audit observations in that regard were shown below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
		Rs. Million	Rs. Million	Rs. Million	
2013	Recurrent	650.87	650.56	0.31	0.04
	Capital	128.11	125.56	2.55	1.99
	Total	778.98	776.12	2.86	0.37
2014	Recurrent	609.04	607.57	1.47	0.24
	Capital	395.70	395.49	0.21	0.05
	Total	1,004.74	1,003.06	1.68	0.17
2015	Recurrent	695.65	690.02	5.63	0.81
	Capital	228.10	167.34	60.76	26.64
	Total	923.75	857.36	66.39	7.19
2016	Recurrent	754.00	714.40	39.60	5.25
	Capital	113.00	108.60	4.40	3.89
	Total	867.00	823.00	44.00	5.07
2017	Recurrent	753.74	727.48	26.26	3.48
	Capital	490.80	301.51	189.29	38.56
	Total	1,244.54	1,028.99	215.55	17.31

Following observations are made in the year under review.

(a) A sums aggregating Rs. 4,065,234 had been saved after utilizing provisions for that expenditure votes due to making excess provisions for 9 expenditure votes in the year under review. The net provisions with relating to those saving expenditure votes were ranging from 15 per cent to 68 per cent.

(b) Using Supplementary Estimate Provisions for Activities Against the Objective

 Out of the supplementary provision of Rs. 350,000,000 given for rehabilitation and reconstruction activities of area affected to flood and land slide under the vote No. 263-1-1-2509 in the year under review, computers and office equipment had been procured to Hambantota District Planning Secretariat by spending a sum of Rs. 1,834,901 without the approval.

(c) Procurement of Non-estimated Capital Goods

A sum of Rs. 3,093,000 had been spent for procuring 30 tabs which were not estimated at the time of preparing annual estimates, and a sum of Rs. 9,648,700 had been spent to procure 85 computers as laptop and desktop during the year under review by estimating to procure 35 computers.

(d) Insufficient Imprest under Supplementary Estimates

Though supplementary estimates of Rs. 350 million had been allocated to rehabilitate infrastructure damaged in the District due to flood and land slide, activities of Rs. 181.4 million had not been implemented in the year under review due to non-receiving of sufficient imprest. Therefore 51 per cent of the provisions provided from supplementary estimates had been saved.

2.10.2 Utilization of Provisions given by Other Ministries and Departments

The provisions totaling Rs. 3,175,370,042 had been given to District Secretariat by 28 Other Ministries and 22 Departments for various activities and out of them, sums aggregating Rs. 2,649,134,273 had been utilized as Rs. 2,410,747,449 and Rs.238,386,824 respectively. Accordingly sums aggregating Rs. 526,235,769 as Rs.487,688,346 and Rs. 38,547,423 respectively or 16 per cent and 13 per cent from the given provisions respectively had been saved as at the end of the year under review. Following observations are made in this regard.

- (a) Provisions of Rs. 1,250,000 had been given by the Ministry of National Policies and Economic Affairs for the laying of interlock stones in 2nd cross road from the main canal end to southern side first road of southern bank at Kandagasmankada Kuda Gammana 2 located in the area of Lunugamwehera Divisional Secretariat. Out of that provision, an amount of Rs. 1,137,393 had been paid on 16 February 2018. However the surface of the road in which the interlock stones were laid, were in a highly poor level at the time of physical inspection on 24 April 2018.
- (b) Provisions of Rs. 31,315,221 had been given by the Ministry of Fisheries and Aquatic Resources in 04 instances to the area of Tissamaharama Divisional Secretariat for 17 projects under Wewak Samaga Gamak Development Program -2017. Out of those projects 11 projects with the provisions of Rs. 21,121,159 had been focused on audit test checks and main items observed thereon are shown below.
- (i) As per the estimates, though the strength of interlock stones which should be laid on roads, should be more than 30 N/mm²; the strength of interlock stones which were laid in above 11 roads that the examination was conducted, had been deteriorated ranging from 17 per cent to 78 per cent less than the expected level.

- (ii) In those constructions, the results of quality reports applied from Quality Laboratory in Matara Local Government Department had been neglected in road construction activities of Wickramabahu Mawatha, Rajai Rajasinghe Mawatha and Govipala Mawatha at Ekamuthugama. Subsequently the amount totaling Rs. 16,615,873 had been paid for constructions of 11 roads including a sum of Rs. 5,242,318 for the above 3 roads constructed without the standard by using a status report taken from Laboratory of Tangalle Road Development Authority.
 - (iii) It had been engaged into an agreement with a Rural Organization on 13 December 2017 based on an estimate of Rs. 1,999,942 for the laying of interlock stones in Nadigamvila Devata Road. Those constructions were inspected on 16 and 23 January 2018, and construction activities were being conducted by contractor on his own discretion without the supervision of Technical Officers. Laying of interlock stones on the road had not been completed as at the date of field inspection on 16 January 2018 and interlock stones sample had been directed to the Laboratory for quality test by the Divisional Secretary from none dated letter December 2017 without the supervision of Technical Officers.
- (c) A sum of Rs. 706,499 had been spent on 21 November 2016 to construct a Fisheries Jetty at Lunugamwehera reservoir to anchorage 100 fisheries boats from the provision of Ministry of Fisheries and Aquatic Resources. It was observed in audit that anchorage fisheries boats in this jetty, so as constructed, were not possible and; comments of Fisher Community were not obtained when constructing this Jetty. Further a sum of Rs. 429,162 had been over paid to the contractor based on fraudulent measurement taken with regarding two work items. It was confirmed that this contract had been sub contracted by the Community Based Organization without complying with the paragraph 3.2 (IV) of Public Finance Circular No. 01/2012 dated on 05 January 2012.
- (d) A sum of Rs. 501,623 had been spent for the construction of fish stall in Lunugamwehera area from the provisions of Ministry of Fisheries and Aquatic Resources. Though its contract activities had been completed by 29 December 2016, it had not been used for any useful activities even as at 28 March 2018.
- (e) Commencement of the activities of Lunugamwehera Bus Stand Construction Project had been entrusted to State Development and Construction Corporation for the amount of Rs. 18,719,672.
- (i) Totaling of Rs. 17,434,003 had been spent for this, as a sum of Rs.13,613,542 and a sum of Rs. 3,820,461 from the provisions of Ministry of Housing and Samurdhi in the year 2015 and from the provisions of Ministry of Internal Affairs in the year 2017 respectively.
 - (ii) However, other than this, extra and outside works of Rs. 18.89 million had been performed as at the date of audit on 02 August 2017 without any proper approval. An estimate had also been prepared for this extra works and that was 97.53 per cent of the initial estimate amount.

- (iii) The work site had not been handed over by completing the construction even as at 02 August 2017 and the extension of the contract period had also not been done after 22 October 2016. Further 30 work items in initial estimate for Rs. 1,942,074 had not been completed even as at 7 August 2017.
- (iv) According to the final bill, the performed entire work volume under estimated work item O-3 was 4,428 square meters. Though the amount payable for this work item was Rs. 14,840,176 after deducting of Rs.248.56 as Value Add Tax amount of Rs. 191.20 and 30 per cent of profit there to as well as overhead cost of Rs. 57.36 included in the agreed unit price of Rs. 3,600; a sum of Rs. 19,694,608 had been recommended to pay for this work item. Accordingly a sum of Rs. 4,854,432 had been over paid for this work item.
- Placing of ABC layer of 200 millimeter were included in the estimated work item No. O-3, and a sum of Rs. 1,745,481 had been recommended to pay for 521.44 cubic meter of ABC. According to the laboratory report taken, it was observed that further a sum of Rs. 1,555,335 should have to be deducted from the amount recommended to pay under work item O-3 hence the thickness of the laid ABC layer were averaging into 102 millimeter.
 - The cracks were observed in many places of the floor of the bus stand and it was also observed that the surface of the box culvert set up to access the bus stand from Wellawaya side was cracked. Further the inside of the bus stand were in highly wet status in rainy period due to construction of the roof of the bus stand in rather higher.
- (f) A sum of Rs. 980,340 had been paid to an Agrarian Organization on 31 December 2015 from the provisions of Ministry of Housing and Samurdhi to rehabilitate 10 meters of D-5 canal side wall at Gurunnahege aara Grama Niladhari Division in Angunukolapalassa Divisional Secretariat area. This side wall had been fallen into the canal on 10 May 2016 due to the deficiencies in construction planning. The remaining of the fallen side wall could be seen in the canal even as at the date of audit on 01 June 2017 and the above entire amount paid for the construction had been become a fruitless expenditure.
- (g) The following matters were observed in the audit carried out in Divisional Secretariat Officers in the District with relating to the program of providing motor bikes for Field Officers in Hambantota District by Ministry of Internal Affairs and the Ministry of Economic Development.
- (i) Instances were observed that; even the basic information of Field Officers, who were given motor bikes, were not included in registers.

- (ii) It was observed a difference of 348 and 347 between motor bikes and scooters respectively issued to the Department of National Budget on 30 April 2017 and the amount shown as per the information presented to audit.
- (iii) Though a sum of Rs. 100,000 should be charged for a motor bike of officers whose future service period was below one year as at 30 June 2014, the motor bike had been given by Tissamaharama Divisional Secretariat only by charging Rs. 50,000 from an officer whose future service period was below one year.
- (iii) Though a file consisting with all information of the given motor bike with relating to each officer should be maintained until completing 5 years, no any office had been maintained such files.
- (v) Though the market value of the motor bike should be recovered from the officer who had received motor bikes and going abroad on no pay leave or leave for more than 06 months with pay before completing 05 years; a sum of Rs. 869,520 had not been recovered from 06 officers so as in abroad.
- (vi) Though the market value of the motor bike should be recovered from the officer who is assigned to a post without an entitlement of motor bikes or is resigned from the post before completing 5 years; a sum of Rs.1,046,520 had not been recovered from 08 officers who were appointed for posts without an entitlement of motor bikes.
- (vii) Though a full insurance should be obtained from Sri Lanka Insurance Corporation or National insurance Trust Fund until completing 5 years for all motor bikes given under this program, most of officers had taken a third party insurance cover without complying it. Follow-up actions in this regard had been taken by any of Divisional Secretariat.

2.10.3 Development Projects Implemented under Ministry Provisions

A sum of Rs. 50,193,659 had been over paid as Rs. 43,770,611 in 264 Road Development Projects implemented on financial provisions given by 03 Line Ministries to Hambantota District Secretary in the year 2016 due to preparation of estimates on irrelevant rates with relating to work item that was not approved properly and was purposed to implement; and Rs. 6,423,048 with relating to projects implemented through Tissamaharama Divisional Secretariat which the exact financing Institution were not shown. Further information with relating to 17 projects implemented through Tissamaharama Divisional Secretariat was not presented to audit.

2.11 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No. 26301 and the actual amounts with relating to the District Secretariat are shown below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
73.00	70.39	41.00	41.58	212.00	781.50

The following observations are made in this regard.

Non-recovery of Outstanding Loan Balances

According to the Reconciliation Statement presented to audit, the total loan balances that remained outstanding as at that date was Rs. 1,825,038 and those outstanding balances were remained for a period ranging from 01 year to 22 years.

2.12 General Deposit Account

A sum of Rs. 1,998,390 had been held in deposit account without implementing the intended purpose which was sent to District Secretariat by Other Ministries and Departments in the year 2016 for several activities.

2.13 Non-compliances

2.13.1 Non-compliance with Laws, Rules and Regulations

According to the Guideline 5.4.11 of Procurement Guideline 2006, VAT amounting to Rs. 1,328,207 had been paid to the contractor by Tissamaharama Divisional Secretariat without obtaining tax invoices for 10 construction contracts in the year 2016.

2.14 Internal Audit

Following observations are made.

- (a) According to the internal audit plan prepared for the year under review, internal audit had not been conducted in District Secretariat and 08 Divisional Secretariats.
- (b) Revenue audit with relating to District Secretariat and Divisional Secretariats had not been included in the internal audit plan.

2.15 Human Resources Management

The particulars on approved cadre, actual cadre, vacancies and the excess cadre as at 31 December 2017 to execute the functions as mentioned in paragraph 2.1 above are given below. The District Secretariat had incurred a sum of Rs. 573.68 million for personal emoluments expenditure category for the year under review and the per capita expenditure amounted to Rs. 479,262.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
(i) Senior Level	47	43	04	-
(ii) Tertiary Level	32	18	15	01
(iii) Secondary Level	1120	1033	126	39
(iv) Primary Level	115	103	13	01
Total	1314	1197	158	41

One hundred fifty eight vacancies and 41 excess were in the staff cadre as at the end of the year under review. The above excess had been occurred due to non-recruiting the officers in to relevant Grades, and accordingly the actual vacancies in the cadre was 117. It was observed that, actions should have to be taken to fill those vacancy posts. It was informed to audit on 04 July 2018 that these excess staff were permanent officers and the excess were assigned to cover the duties of vacant posts.

2.16 Security Deposits of Public Officers

According to the Public Officers (Security) Ordinance, security deposits amounting to Rs. 168,400 had not been made by 73 officers in 05 Divisional Secretariat who should be made security deposits.