

Head 331 - Report of the Auditor General of the Department of Divineguma Development - 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 Department of Divineguma Development. The financial and physical performance reflected from those accounts 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 Department of Divineguma Development - Head 331 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 Director General of the Department on 11 July 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 Department of Divineguma Development for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above in detail. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in Paragraph 2.1 to 2.17 of this Report. The audit observations revealed in the execution of accountability as the Accounting Officer in accordance with provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka, to ensure the adequacy of the financial administration are summarized and shown in the undermentioned table.

Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)	Non - compliance with those provisions by Accounting Officer	Reference to the Paragraph of the report which included the Observation--
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Financial Regulation		

128 (1) (a)	The work of his Department is planned and carried out with due dispatch, 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 endeavor is made to complete the programme of work laid down for the year and/or to attain the targets specified	1. Not following the Action Plan 2.1 2. Not planning the procurement activities adequately . 2.2.1 3. Non-preparation of Budget Estimates in a realistic manner 2.10 (a) (b)

128 (1) (b)	The organization for financial control and accounting in his Department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received, the authorization of commitments on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefore from public funds.	<ol style="list-style-type: none"> 1. Desired output level that could not be achieved 2. Deficiencies in implementation of Procurement Procedure 3. Weaknesses in execution of services to the public 	<p>2.1.2 (a) (b)</p> <p>2.2.2</p> <p>2.9</p>
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.	<ol style="list-style-type: none"> 1. Non maintenance of Registers and Books 2. Non - compliance 	<p>2.7 (a) (b) and (c)</p> <p>2. 16</p>
128(1) (d)	An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	Deficiencies appeared in Public Officers' Advance Account .	2. 11
128 (1) (e)	Adequate and proper arrangements 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.	<ol style="list-style-type: none"> 1. Deficiencies in Annual Board of Survey. 2. Deficiencies in Assets Management . 	<p>2. 3 (i)</p> <p>2. 3</p>
128 (1) (i)	The activities of his Department are undertaken with due regard to economy, efficiency, propriety and integrity expected in the transaction of public business.	Informal Transactions	2. 5

128 (1) (m)	an Appropriation Account is rendered to the Chief Accounting Officer at the end of the financial year in respect of each Programme of a Head of Expenditure for which he is responsible as Accounting Officer (Financial Regulation 150)	Deficiencies appeared in Appropriation Account	2. 10
128 (1) (n)	Officers liable to provide Security do so in terms of the law and instructions in force.	Deficiencies in obtaining securities from related officers.	2. 7 (b)
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's, faults or frauds on the part of officers/ employees and surcharges are imposed on officers/employees responsible for such losses in terms of Financial Regulation 156 (1) .	<ol style="list-style-type: none"> 1. Disposing of assets without accurate estimates. 2. Not receiving of revenue that receivable to the government from assets. 3. Informal use of assets not acquired. 4. Transactions in nature of financial irregularity. 5. Losses and Damages 6. Responsibility in respect of damages 	<p>2. 3 (e)</p> <p>2. 3 (b)</p> <p>2. 3 (a) (b) and (d)</p> <p>2. 7 (i) and (k)</p> <p>2. 6</p> <p>2. 6</p>

1.5 Objectives and Key Functions of the Department

- (a) Implementation of Development Activities that may be needed to create a society that guarantees poverty alleviation and social justice;
- (b) To promote Livelihood Economic Development Activities targeting individuals, families, groups and communities;
- (c) Ensuring food security for each Person and Family;
- (d) Embodiment and Empower People to accelerate National Development;

- (e) Provision of Micro Finance facilities for increasing People's Livelihood Development;
- (f) Development of Physical and Social Infrastructure that could be used to Develop Livelihood of the People;
- (g) Carrying out Study and Research on the Economic and Social Development of the People;
- (h) To Develop Human Capital to uplift the living standards of the People; and
- (i) Creation of Social Security Network for People who need Social Security.

1.6 Institutions under the Department and the Duties to be performed by that

Institutions established under the Department and the respective roles of them are as follows.

	Institutions under the Department	Power to Establish	Functions
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i.	Community Based Banking System Stream	Section 25 of the Divineguma Act No. 1 of 2013	Improving the savings habit of the Divineguma beneficiaries and directing and supervision of the Community Based Banking System .
ii.	A number of 1,074 Community Based Banks	- do -	Improving of banking culture and financial management among beneficiaries and encouraging them for savings, and maintaining member accounts, granting loans and distributing Government Subsidies.
iii.	A number of 331 Community Based Bank Societies	Section 29 of the Divineguma Act No. 1 of 2013	Collecting deposits through Community Based Bank Societies and managing them, take actions to improve the micro finance culture among the beneficiaries , functioning as a local institution for Community Based Bank maintaining.

iv.	Divineguma Security Fund	Social	Section 45 of the Divineguma Act No. 1 of 2013		Provision of relief when the quality of life has fallen sharply by obtaining contributions from the beneficiaries, and foster the poor improving the overall economic and social conditions of them.
v.	Housing Lottery Fund	Development		- do -	Implementation of the Housing Lottery System to provide a firm solution to the temporary housing problem by obtaining contributions from the beneficiaries to increase the welfare of the beneficiary families.
vi.	Banking Revolving Fund	Stationery		- do -	Print and distribute stationary items which are used at Divineguma Community Based Banks and Bank Societies centrally at concessionary rates creating unitary status of bank stationery all over the island.
vii.	Divineguma Fund			- do -	Empowering the poor in a sustainable manner referring the poor people for the self-employments introducing income generating methods .

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

An Action Plan had been prepared for the year 2017 in terms of Public Finance Circular No: 01/2014 dated 17 February 2014 . Accordingly, there were 39 key functions to be performed by the Department during the year under review and the following shortcomings were observed regarding that Action Plan.

- (a) Even though the amount released to the District Offices was Rs. 183.99 million or 15 per cent as at 30 June, the amount utilized was a sum of Rs. 124.85 million out of the allocation of Rs. 1,200 million by the Action Plan, thus a sum of Rs. 1,148.70 million or 95.7 per cent had been incurred by the end of the year, the Action Plan had been revised for the second time on 28 December due to unplanned expenditures made at the end of the year.
- (b) The infrastructure facilities that need to be developed island wide under the Livelihood Development Programme had not been identified and out of the allocation made amounted to Rs. 99.25 million only a sum of Rs. 97.18 million had been spent on infrastructure facilities in 07 Districts.

2. 1.2 Not Achieving Functions

The following observations are made.

(a) Not performing the Functions included in the Action Plan

The following observations are made.

- (a) Without taking actions to perform the following four key functions that had been planned to be carried out at a provision totalled to Rs. 25 million as per the Action Plan that provision had been utilized to buy computers at the end of the year. details appear below.

Key Function	Provision Made available
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	Rs. Million
(i) Installation of Software and Hardware Systems, Programme to be computerized 1,074 Samurdhi Community Based Banks under the activities such as connectivity of VPN facilities and introducing a Website.	5.00
(ii) Improve the Human Resources Management Module of the e Samurdhi Programme.	5.00
(iii) Improving the Project and Program Management Module of the e Samurdhi Programme.	5.00
(iv) Providing computer related training to the Samurdhi Community Based Bank Officers and all the other officers.	10.00
Total	----- 25.00 =====

(b) Not obtaining Desired Output Level

A sum of Rs. 115.33 million had been allocated for 3,832 Projects under 03 Projects shown in the Action Plan of the year under review. However, 1,468 Projects out of that had not been implemented by the end of the year under review and a sum of Rs. 52.57 million had been saved out of the provision made available. Details appear below.

Programme	Number of Activities	Provision made available	Number of Projects Planned	Unspent amount	No. of un- completed Projects
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		Rs. Million		Rs. Million	
(i) Social Empowerment and Rural Development Programme .	05	99.7	3,657	46.56	1,354
(ii) Marketing Promotion Programme.	01	0.63	25	0.14	02
(iii) Social Development and Environment Programme.	01	15.0	150	5.87	112
	07	115.33	3,832	52.57	1,468
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(c) Expenditure made Exceeding the Anticipated Provision

The provision made for 09 activities in 05 programmes included in the Annual Action Plan amounted to Rs. 299.1 million. A sum of Rs. 362.841 million had been incurred exceeding that amount by Rs. 63.741 million. That exceeded amount had been set off from the allocated funds for the other programmes and the Bank Societies Promoting and Advertising Fund. Details appear below.

(d) A difference of Rs. 17.11 million was observed whilst comparison of documents maintained by the Divisions which implements programmes, with the Reports of Financial Progress of 14 activities relating to 03 programmes included in Action Plan.

Programme	Number of Activities	Number of Projects Planned	Provision Rs. Million	Expenditure Rs. Million	Number of Projects Completed	Expenditure Exceeding the Provision Rs. Million
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(i) Media Programme	04	63	9.30	16.371	03	7.071
(ii) Samurdhi Arunalu Small and Medium Scale Projects Development Programme	02	Not identified.	145.00	164.850	Not identified	19.85
(iii) Samurdhi Production Model Village Programme	01	Not identified	18.60	43.600	Not identified	25.00
(iv) Special Project Programme	01	Not identified	2.70	8.970	Not identified	6.27
(v) Social Development and Environment Programme	01	Not identified	123.50	129.050	Not identified	5.55
	09		299.1	362.841		63.741
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(e) Investigating Activities

Although the of errors , frauds and criminal activities made by the officers of the Department are being increased , it was observed that investigations were not carried out efficiently and the works of 453 files had not been completed by the end of the year under review.

2. 2 Obtaining Supplies and Services through the Procurement Process

2. 2.1 Planning Procurement

The provision amounted to Rs. 42.1 million had been made available for achieving of the supplies and services through the procurement process during the year under review. Out of that a sum of Rs. 41,667 million had been utilized. The observations on Procurement Plans that had to be prepared in respect of provision made available are appear below.

(a) Planning Procurement and the Initial Stage

Actions had not been taken to list the expected procurement activities in the Master Procurement Plan for a period of 03 years, to prepare the procurement activities for the following year in detail, to update these documents regularly within a period not exceeding six months.

(b) Pre - contract period

The Procurement Plan had not been prepared for the for the each contract Package to be prepared under this stage , in order to describe each phase of the procurement process regularly for each procurement timetable and consulting services.

2. 2.2 Implementation of the Procurement Process

The following observations are made .

- (a) Hundred and fourteen desktop computers valued at Rs. 11.31 million had been purchased under 02 procurements following Shopping Method where as the National Competitive Bids Method should be followed in terms of Government Procurement Guideline and the Guideline 2.14.1 of Supplementary No. 33 dated 15 March 2017 of the Procurement Manual related to that .

- (b) Although all cost estimates should be prepared including all related expenses as per Guideline 4.3.1 of the Procurement Guidelines , it had not been performed so whilst carrying out all the purchases and construction.
- (c) Thirty one tyres valued at Rs. 1.00 million had been purchased from the State Trading (General) Corporation at 06 instances without taking actions to purchase following the Procurement Procedure . Similarly, the Conditions with regard to the exact time for which the tyres should be supplied and the late charges had not been included in the agreement entered in to with the suppliers in respect of the purchases . As a result of that it had impossible to recover the late charges relating to the delays occurred whilst supplying tyres from 14 days to 38 days whilst purchasing 31 tyres from two private suppliers in 03 occasions

2.3 Assets Management

The following deficiencies were revealed at the audit test checks carried out in respect of the Assets of the Department.

- (a) Even though more than 04 years had elapsed since the establishment of the Department, the lands and building properties belonging to all the three Authorities integrated to the Department and the Department of Upcountry Peasantry Rehabilitation had not been specifically identified and properly acquired.
- (b) Actions had not been taken to acquire the lands and buildings where the 1,074 Community Based Banks and 331 Banking Societies located and the ownership of the properties remained under several batches as Samurdhi Authority of Sri Lanka, other Government Institutions and Banks and Bank Societies.
- (c) Actions had not been taken to acquire and to take appropriate action with regard to the properties which were leased by the Sri Lanka Southern Development Authority to the Department and it had been further implemented under old tax agreements. It had impossible to recover the arrears income from the land leased for a sum of Rs. 25,760 per annum to a private institution at Buttala Industrial Estate , a building which was remained closed and at a dilapidated condition from the year 2013 amounted to Rs. 289,826 out of that .
- (d) The related activities with regard to the transfer and maintenance of the land and the building where the Kadugannawa Super Market Complex located comprise with 17 sales stalls and 02 toilets built at a cost of Rs. 14.92 million in a land belonging to the Sri Lanka Upcountry Road Development Authority had not been carried out.
- (e) Six vehicles which had received Bids amounted to Rs. 7,513,499 to be announced for auctioning with an estimated value of Rs. 2,650,000 had been decided to be condemn later on.

Two vehicles out of that had been sold as condemn vehicles for a sum of Rs. 820,500 and any action had not been taken with respect to the remaining 04 vehicles.

(f) Vehicle Utilization

There were 140 vehicles belonging to the Department had remained at the end of the year under in review and since the running charts of total number of 104 vehicles as 17 vehicles attached to the Head Office out of 53 vehicles and 87 vehicles attached to the District Offices had not been furnished to the audit, it was impossible to compute the distance driven during the year. A total of Rs. 63.29 million had been incurred by the Department as a sum of Rs. 25.11 million for the cost of fuel and lubricants and a sum of Rs. 38.18 million for vehicle maintenance expenses inclusive of vehicle repair, vehicle service and vehicle insurance in the year under review.

(g) Utilization of the Vehicles under the Operating Lease System

The total expenditure had been a sum of Rs. 2,192,191 besides the drivers' salaries and allowances consisting a sum of Rs. 2,049,300 for lease installment for 09 months in the year under review as a sum of Rs. 227,700 per month , a sum of Rs. 112,801 for fuel and lubricants, the cost of repairs amounted to Rs. 30,090 for the jeep obtained from April 2017 to the period of 05 years under Operating Lease Method by the Department. A Register consisting details of this vehicle and monthly running details in terms of the Paragraph 07 of the National Budget Circular No. 01/ 2016 dated 17 March 2016 .

(h) Conducting Board of Survey

The following observations are made.

- (i) Even though the Board of Survey should be completed and the reports should be furnished to the Auditor General before the 15 June 2018 in terms of Paragraph 3.2 of the Public Finance Circular No. 05/ 2016 dated 31 March 2016 , the Board of Survey Reports of 23 Regional Offices had not been furnished to the Auditor General even by 31 August 2018.
- (ii) Action had not been taken to dispose 118 units of goods in 03 Training Centers and 02 Circuit Bungalows identified as required to be disposed of by the Board of Surveys of the years 2015 and 2016.

(i) Assets given to External Parties

Five vehicles belonging to the Department worth of Rs. 32.8 million had been given to the Line Ministry. A total of Rs. 3.03 million had been paid by the Department as a sum of Rs. 1.67 million as fuel , repair expenses, and drivers' allowance and the overtime allowances in the preceding year and as a sum of Rs. 1.36 million in the year under review for those vehicles.

2.4 Commitments and Liabilities

The following observations are made in this regard .

(a) Entered into Commitments Exceeding the Annual Budget Limit

It had been entered in to commitments amounted to Rs. 3,005.14 exceeding the provision by a sum of Rs. 2,952.92 million whereas the provisions made available amounted to Rs. 7,783.56 million for 14 objects without complying with the Paragraph 02 (a) of the Public Finance Circular No. 255 /2017 dated 27 April 2017 .

(b) Overstating of Liabilities

Even though the liability for Compensation and Gratuity for the end of the year under review was Rs. 3,276.49 million, that had been shown as a sum of Rs. 3,423 million by overstating a sum of Rs. 146.51 million.

(c) Carrying forward the Liabilities without making Budget Provision to the upcoming year

A sum of Rs. 2,992.78 million which had paid from the Fund of the Community Based Banks Sector in the year 2014 for the " Isurumath Nivahanak" programme, had been shown as liabilities. However, because of Community Finance Division had reported the loan receivable as a sum of Rs. 3,417.42 million a difference of Rs. 424.64 million was observed. Further, even though a sum of Rs. 2,055.09 million had been recovered from the Samurdhi Beneficiaries in the year under review, those monies had been retained in the Community Based Banks without taking actions to recover the loans.

(d) Failure to make Provisions for Liabilities

The provision had not been made for the liabilities that had to be paid under an object of the year under review amounted to Rs. 382,500 .

2.5 Informal Transactions

Some of the transactions that the Department had entered in to were free of formalities. An instance observed as such of this is as follows.

The instructions had not been given regarding the payment of allowances to the Members and the Secretary appointed to the Divineguma National Council established to assist the Department in

terms of Section 7.1 of the Divineguma Development Act No 01 of 2013. Nevertheless, a total of Rs. 816,000 in order to attend 24 Councils a sum of Rs. 4,000 per each to the 11 members of Council the from July 2014 to January 2017, a total of Rs. 624,000 in order to attend 11 Councils from February to December 2017 a sum of Rs. 6,000 per each Council, a sum of Rs. 50,000 to the Council Secretary for the 10 councils of the year 2017 as a sum of Rs. 5,000 per each Council had been paid as allowances.

2.6 Losses and Damages

The observations revealed in respect of the losses and damages during the audit test checks carried out are appear below.

- (a) Even though the Preliminary Report and the Full Report had been furnished in terms of Financial Regulation 104 (3) in respect of the loss occurred to the lorry which met with an accident in the year 2011 amounted to Rs. 668,325 , that loss had not been recovered.
- (b) As a result of the delays in occurred in Treasury Provision to pay Gratuity to a number of 23,980 officers in three Authorities integrated to the Department of Divi Neguma Development, out of the surcharge to be paid as per the Act amounted to Rs. 1,636.45 million, a sum of Rs. 653.51 million had been paid from the year 2014 up to the end of the year under review.

2.7 Unresolved Audit Paragraphs

The reference to the paragraphs which had not been corrected by the Department with regard to the deficiencies noted by the Paragraphs of the Auditor General's Reports relating to the Department are shown below..

	Reference to Auditor General's Report		Subject Referred
	Year	Paragraph No.	
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(a)	2015	3.1 (f)	The Register of Fixed Assets had not been maintained in an updated manner in terms of Treasury Circular No. 842 of 19 December 1978 .
	2016	3.1 (ii)	
(b)	2015	3.1 (b) and 3.10.1 (b) (iii)	Actions had not been taken to maintain the Register of Security Deposits obtaining Security Deposits from Government Officers in terms of Financial Regulations 880 and 891 (1) .
	2016	3.18 (b)	

(c)	2015 2016	1.1 (d) 3.18(c)	The Records of Losses had not been maintained in terms of Financial Regulation 110.
(d)	2015 2016	3.10.1 (a) 3.18 (g)	The Divineguma Development Fund and the Divineguma Revolving Fund had not been established in terms of the Sections 36 and 37 of Divineguma Act No. 1 of 2013 .
(e)	2015 2016	3.10.1 (b) (ii) 3.18 (h)	The Stores Rules had not been compiled in respect of the goods in store of the Head Office and the stock of the Stationary Revolving Fund in terms of Financial Regulations 763 .
(f)	2015 2016	3.10.1(c)(i) and (ii) 3.18 (i)	Actions had not been taken to print the Government Emblem and the name of the Department on the other vehicles except assigned vehicles in terms of Public Administration Circular No. 26/ 92 (1) of 03 August 1994 and the fuel consumption of vehicles in proper manner in accordance with the provisions of the Circular.
(g)	2015 2016	3.7 (b) 3.7 (c)	The information had not been furnished regarding the recovery of the loan amounted to Rs. 130.16 million which was receivable to the Loan Revolving Fund included in financial statements in Samurdhi Authority of Sri Lanka as at 31 December 2013.
(h)	2015 2016	3.6 (b) 3.5 (c)	Out of a sum of Rs. 3,457.5 million obtained from the Microfinance Banking Sector for the payment of Samurdhi Subsidies in the year 2013, a sum of Rs. 2,374.5 million that had been further to be settled had been included in the General Deposit Account without allocating provisions from the Treasury for the settlement.
(i)	2016	3.16 (a)	The losses had not been recovered after completion of the examinations with regard to the cash frauds that had been revealed amounted to Rs. 23,406,848 occurred during the period of 2014 – 2016 in the Kandy District Secretariat, which had filed cases in the court, including cash fraud amounted to Rs. 24,888,966 as occurred in the years 2015 and 2016 in the 03 District Secretariats.

(j)	2016	3.14 (b)	Even though the money was not allocated in the year 2016 out of the money provided to the Chief Secretary of the Central Province on 16 August 2016 amounted to Rs. 32.5 million to broaden the Ankelipitiya Water Supply Scheme by making a cost to the object of Investment, the task had not been completed until the end of the year under review.
(k)	2016	3.17 (a)	Actions had not been taken to recover from the responsible persons carrying out an examination in terms of Financial Regulation 104 in respect of two accidents occurred during unofficial travels in the previous years and a vehicle accident occurred in the year under review.
(l)	2016	3.9 (a) (ii)	Actions had not been taken even by the 31 December 2017 to recover a sum of Rs. 289,664,277 which should be received as per the financial statements in the three Authorities integrated into the Department of Divineguma Development.
(m)	2016	3.11 (a) (ii)	Actions had not been taken to get advice from the General Treasury in respect of the Funds carrying out in the Department such as Social Security Fund , Housing Development Fund, Banking Associations Stationery Revolving Fund, Employees' Loans Revolving Fund, Divineguma Fund, Divineguma Social Security Fund and establish them, to prepare and submit the financial statements at the end of the year to the Auditor General.

2.8 Management Weaknesses

The following observations were observed during the audit test checks.

- (a) Even though the survey results had been obtained entering a number of 2,224,432 survey forms in to the database by re-identifying survey of low income recipients carried out at a cost of Rs. 107.53 million from 2015 up to the year under review, actions had not been taken to amend the Subsidy list .
- (b) Steps had not been taken to convert the Livelihood Revolving Fund implemented in the Samurdhi Community Bank to provide loans on a circulating basis to the Samurdhi beneficiaries and low income earners to improve livelihood methods to a Statutory Fund. It had been reported that the balances of this Fund Account as at 31 December 2017 was Rs. 3,242.06 million and the loan further to be able to grant amounting to Rs. 1,445.76 million.
- (c) Actions had not been taken to establish by obtaining the instructions of the Treasury and to maintain accounts books of the Divineguma Social Development Foundation , which was commenced from the income of the flag sales with Parallel to the Tobacco & Anti Alcohol Day in the year 1996 and a sum of Rs. 264,171,603 had been retained as at 31 December 2017 with the income of Rs. 185,561,454 earned in the year under review without utilizing to the social welfare of the Samurdhi Beneficiaries and low income earners of the Samurdhi beneficiaries whereas the purpose of the Foundation.
- (d) Actions had not been taken to complete the investigation activities and to recover the cash fraud that had been revealed as occurred during Samurdhi Authority era in 20 Community Based Banks and Bank Societies amounted to Rs. 9,923,380 , a sum of Rs. 60,284,808 out of the frauds revealed as occurred in 45 Community Based Banks and Bank Societies from the year 2014 to the year 2017 amounted to Rs. 79,361,724 since the establishment of the Department of Divineguma Development . The value of the financial fraud that had been occurred at another Bank Society had not been computed.

2.9 Execution of services to the public

An Officer had not been appointed by the Department in a formal manner to inform the Public in terms of the Right to information Act No. 12 of 2016 . Similarly, actions had not been taken to enter the details of the officer and the detail of contacts on the Department's website, to publish such information in office premises, proper documentation and maintenance of files had not been carried out in terms of Section 26 (1) of that Act.

2. 10 Utilization of Provision made by Parliament for the Execution of Activities

The activities of the Department of Divineguma Development commenced by the Divineguma Act No. 1 of 2013 from the month of January in the year 2014 had been implemented by the provisions made under the Head of the Ministry of Economic Development and the particulars relating to the provision made available to the Department and utilization and savings for the 03 years period from the year 2015 to 31 December 2017 and the audit observations in respect of that are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of Net Provision
		Rs. Million	Rs. Million	Rs. Million	
2015	Recurrent	53,439.90	51,306.09	2,133.81	3.99
	Capital	1,319.95	1,024.00	295.95	22.42
	Total	54,759.85	52,330.09	2,429.76	4.44
2016	Recurrent	57,010.32	53,463.06	3,547.26	6.22
	Capital	1,247.60	1,183.36	64.24	5.15
	Total	58,257.92	54,646.42	3,611.50	6.20
2017	Recurrent	56,777.05	2,685.88	4,091.17	7.21
	Capital	1,236.70	1,179.34	57.36	4.64
	Total	58,013.75	53,865.22	4,148.53	7.15

The following observations are made in this connection.

- (a) The total net provision made available for a capital object amounted to Rs. 1.00 million has been saved without any utilization.
- (b) Because of overprovisions totalled to Rs. 5.758 million had been made available for 10 objects, only the total of Rs. 16.147 million out of the related provision for those objects had been utilized and the portion of savings had ranged from 11 per cent to 87 per cent out of the net provision made available.
- (c) As a result of calculation of the expenditure on Subsidies had made based on estimated maximum records the Subsidies that had not been incurred during the year under review amounted to Rs. 9.985 million that were not surcharge to the object and without calculating the monthly actual subsidy expenses, the accuracy of the subsidized expenditure amounted to Rs. 39,707.051 million of the year under review could not be able to confirm.
- (d) A sum of Rs. 102.766 million had been allocated for the purchase of fixed assets as at 31 December 2017 including a sum of Rs. 23.260 million under the object of Investment for the

implementation of Poverty Alleviation Livelihood Development Projects and those assets had not been included in the Appropriation Account.

- (e) It had not been identified that the surcharges made as adjustments by the monthly accounts to 20 objects amounted to Rs. 89.14 million was which type of adjustments belonging to which office.
- (f) Even though the value of furniture and office equipment amounted to Rs. 221.30 million and machinery valued at Rs. 10.83 million had been included in to the Appropriation Account, the schedules had not been submitted for that.
- (g) The properties which were not belonging to the Institutions integrated with the Department valued at Rs. 31.50 million had not been included in to the Appropriation Account.
- (h) Despite a vehicle valued at Rs. 2.2 million in twice in the year under review, a vehicle which was bought in the year 1999 amounted to Rs. 1.82 million had been included in the Appropriation Account, the value of vehicles in the Appropriation Account had been overstated by Rs. 4.02 million.

2. 11 Advances to Public Officers' Account

----- Limits Authorized by Parliament -----

The limits authorized by the Parliament for the advances to Public Officers Account of the Ministry, Item No. 33101 and the actual amounts are given 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
350.00	324.91	265.00	265.73	600.00	96.41

The following observations are made in this connection.

- (a) The loan balances amounted to Rs. 607,109 of two officers who had station transferred in the years 2002 and 2003 had been included in to the General Deposit Account as the balances to be

paid removing from Advance B Account without taking measures to transfer them to those institutions .

- (b) As per the Reconciliation Statement submitted for audit, the aggregate of balances of loans outstanding from 129 officers who had station transferred, died, retired, interdicted and dismissed as at 31 December 2017 was Rs. 2,020,195 and those outstanding balances had been existence ranging from 03 months to 20 years. The Department had failed to recover the those outstanding balances.

2.12 Imprest Account

As per the Imprest Estimate prepared by the Department for the year under review the details in respect of the imprests expected to be obtained monthly , imprests requested monthly , and the imprests received are appear below.

Month	Imprest should be Requested as Planned	Imprest Requested	Imprest Received	Difference between Imprest Planned and Requested	Difference between Imprest Requested and Imprest Received
-----	-----	-----	-----	-----	-----
	Rs . Million	Rs . Million	Rs . Million	Rs . Million	Rs . Million
01 January	4,789.72	5,489.42	4,387.72	(699.70)	1,101.70
02 February	4,797.22	4,740.29	4,229.00	56.93	511.29
03 March	4,790.72	5,780.34	4,254.50	(989.62)	1,525.84
04 April	5,051.92	5,831.38	4,476.51	(779.46)	1,354.87
05 May	4,791.72	5,427.55	4,938.90	(635.83)	488.65
06 June	4,800.72	5,363.67	4,204.00	(562.95)	1,159.67
07 July	4,801.72	5,354.62	4,585.08	(552.90)	769.54
08 August	4,795.72	5,372.65	4,519.00	(576.93)	853.65
09 September	4,806.72	5,357.92	4,470.84	(551.20)	887.08
10 October	4,805.72	5,254.02	4,390.89	(448.30)	863.13
11 November	4,811.72	5,293.32	4,536.22	(481.60)	757.10
12 December	4,821.24	4,762.31	4,472.45	58.93	289.86
	-----	-----	-----	-----	-----
	57,864.86	64,027.49	53,465.11	6,162.63	10,562.38
	=====	=====	=====	=====	=====

The following observations are made in this regard.

- (a) A balance of Rs. 2,950,975 identified as an accounting error by the Department had been bringing forward from the month of March 2016 as unrealized deposit in the Statement of Bank Reconciliation. Due to this, it was not correct for the settlement of imprest to the Treasury at the end of the year under review.
- (b) Although the Ad hoc sub - imprest obtained should be settled within 10 days of the completion of the task in terms of Financial Regulation 371 (5) as amended by the Public Finance Circular No. 03/2015 dated 14 July 2015 , the Ad hoc sub - imprest amounted to Rs. 1.61 million provided to 46 officers at 78 occasions had been settled 21 days and 9 months after completing the work.
- (c) Due to the fact that the expenses had not been properly forecast whilst providing advances to the officers, out of the advances totalled to Rs. 1,588,510 providing to 15 officers at 28 occasions a sum of Rs. 649,595 had been saved. That had been a portion from 20 per cent to 78 per cent out of the advances provided .

2. 13 General Deposit Account

The total of the balances of 05 General Deposit Accounts of the Department totalling Rs. 2,494.264 million as at 31 December 2017. The following observations are made in this regard.

- (a) Actions had not been taken in respect of 21 Deposits remained more than 02 years amounted to Rs. 602,026 in terms of Financial Regulation 571 .
- (b) After making expenses from the collected fees for conducting the Competitive Examination for Samurdhi Development Officers in the year 2016, the savings amounted to Rs. 8,057,544 had been retained in the General Deposit Account without being credited to the Consolidated Fund.
- (c) Terminating the official bank accounts of two institutions that were integrated to the Department of Divineguma a total of Rs. 28,334,120 had been retained in the General Deposit Account without being credited to the Government Consolidated Fund as a sum of Rs. 2,673,641 sent in the year 2016, a sum of Rs. 23,161,741 receivable to Sri Lanka Southern Development Authority and the balance remained after covering the expenses from the earnings by the income earned by the training centers and circuit bungalows of the Department amounted to Rs. 2,498,738 .

- (d) Transferring a sum of Rs.502.34 million of the Micro Finance Division and the Social Security Trust Fund without the permission of the Treasury to the General Deposit Account, balance remained amounted to Rs. 25.18 million had been repaid on 31 December 2017 after being made transactions out of that amounted to Rs. 477.16 million.
- (e) Without taking actions to settle the value of 108 cheques issued but not presented for more than 06 months amounted to Rs. 1.46 million had been retained in the General Deposit Account.
- (f) Unpaid Housing Development Lottery prizes amounted to Rs. 150,000 had been retained in the General Deposit Account.

2.14 Operating of Bank Accounts

The following observations are made.

(a) Balances to be made Adjustments

Following shortcomings were observed in the examination carried out on Bank Reconciliation Statements submitted in relation to the Official Bank Account maintained in the year 2017 by the Department and in respect of 17 District Offices .

- (i) Actions had not been taken in terms of Financial Regulation 396 (d) in respect of 270 cheques which had issued but not presented to the Bank totalled to Rs. 6.162 million.
- (ii) Actions had not been taken to find the accuracy of the amount shown as direct payment with regard to the 22 notes valued at Rs. 3.888 million appeared in the Statement of Bank Reconciliation presented and to make necessary adjustments even by 30 June 2018.

2.15 Non- submission of Audit Evidences

Providing Answers to Audit Queries

The replies for the 08 Audit Queries which had been submitted to the Department during the year had not been furnished and the delay period had ranged from one month to four months. The value of transactions that could be dealt with in relation to these queries amounted to Rs. 2,166.13 million.

2. 16 Non - compliance

Non - compliance to the Tax Requisites

Actions had not been taken to charge PAYE tax which should be paid amounting Rs. 280,729 to be paid 10 per cent per each and remit to the Department of Inland Revenue by the Department in respect of the allowance paid up to April 2017 to the Members of Board of Management of Divineguma Community Based Banks and Bank Societies amounted to Rs. 1,492,500 and the allowances paid as 1/3 from the salary to the Chairman and the Secretary of that Committee amounted to Rs. 190,791 , the Committee's allowances paid to the Members and the Secretary of the Divineguma National Council up to June 2017 amounted to Rs. 1,124,000 in terms of Public Enterprises Circular No. 03/ 2016 of 29 April 2016 .

2. 17 Human Resources Management

Approved Cadre , Actual Cadre and expenditure for Personal Emoluments

The particulars in respect of the Approved Cadre, Actual Cadre and the Vacancies as at 31 December 2017 of the above Department are given below. The Department had incurred a sum of Rs. 11,522.59 million for the Object of personal emoluments for the year under review.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
		-----	-----	-----
(i)	Senior Level	501	72	429
(ii)	Tertiary Level	1,941	1,931	10
(iii)	Secondary Level	24,231	23,484	747
(iv)	Primary Level	516	510	06
	Total	27,189	25,997	1,192
		=====	=====	=====

The following observations are made in this connection.

- (a) Due to not having approved the Scheme of Recruitment in respect of a Service Minute and Approved Cadre of 1,049 assigned from the three authorities except two other services of the approved cadre of the Department, it had been impossible to carry out the activities such as recruitments, promotions and retirements, as well as providing letters of appointment. Among them there were 62 retired officers and 144 officers who had died.
- (b) Although 20 Divineguma District Director posts should be filled by officers in Grade I of Sri Lanka Administrative Service Officers, 11 posts in Grade II and III of Sri Lanka Administrative Service and Grade II & III and Sri Lanka Planning Service Officers on Duty Covered basis, 03 posts had also been employed on the acting basis of the officers of Grade I of Sri Lanka Planning Service.
- (c) Sixteen Grade I District Accountants posts in the Sri Lanka Accountants' Service had been covered on an acting basis from the officers of Grade II and III and the Accountants had not been appointed for 04 Districts.