

Head 277 - Report of the Auditor General of the District Secretariat, Monaragala – Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and the Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 had been presented to audit by the District Secretariat, Monaragala. The financial and physical performance reflected in 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 of the Chief Accounting Officer and the Accounting Officer on the financial management and the Accountability

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). 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, Monaragala – Head 277 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, management of Government expenditure, Government revenue, human and physical resources, application 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 31 May 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, Monaragala for the year ended 31 December 2017 revealed in audit appear in detail 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 paragraph 2.1 to 2.13 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) Responsibilities of Accounting Officer	Accounting Officer not conformed to that provision	Reference to the Paragraph of the report included the observation
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Financial Regulation		

128(1)(b) The organization of financial control and accounting in his Department is effective and provided adequately for the correct Ascertainment, where necessary of dues to Government, the systematic, complete and prompt collecting of dues and bringing to account of moneys received the authorisation 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.	1. Non-compliance with Government Procurement Guidelines 2. Irregular Transactions 3. Management Weaknesses	2.3 2.6 2.9 (b) and (c)
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.	1. Action not taken in respect of lapsed deposits. 2. Non-compliance with laws, rules and regulation. 3. Non-compliance with Tax requirements.	2.12 2.13.1 2.13.2

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.	Deficiencies in assets management.	2.4
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 action pursued to expedite their recovery.	<ol style="list-style-type: none"> 1. Failure to recover outstanding loan balances. 2. Non-recovery of outstanding rent of a government quarter at the Bibila Divisional Secretariat. 	<p>2.11</p> <p>2.9(a)</p>
128 (1)(i)	The activities of his Department are under taken with due regard to economy, efficiency, propriety and integrity expected in the transaction of public business.	<ol style="list-style-type: none"> 1. Incompleted construction works. 2. Projects not achieved expected objectives. 3. Constructions performed without doing essential work parts. 	<p>2.7(a), (e) and (j)</p> <p>2.7(b), (d), (f), (g), (h), (i) and (k)</p> <p>2.7(c) and (d)</p>
128(1)(j)	Any expenditure or Commitment incurred, falls within the scope and limits of his votes or other authorised financial provision and is covered by adequate authority.	Liabilities committed in excess of the limits of provisions.	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	Over statement of Expenditure of buildings and constructions.	2.10

of Expenditure for which he is responsible as Accounting Officer.

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, negligences, 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).	1. Losses and damage 2. Overpayments for contracts.	2.8 2.7 (m)
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2. Material and Significant Audit Observation

2.1 Key Functions of the District Secretariat

- (a) Coordination with Regional Administration.
- (b) Development Programmes.
- (c) Monitoring Functions.
- (d) Disaster Management and Welfare activities.
- (e) Social Welfare Programmes.
- (f) Collecting of Government Revenue.
- (g) Religious and Cultural Affairs.

2.2 Functions to be performed by the institutions under the District Secretariat

Bibila, Medagama, Madulla, Siyabalanduwa, Monaragala, Buttala, Badalkumbura, Katharagama, Wellawaya, Thanamalwila and Sewanagala Divisional Secretaries had been established under the District Secretariat and the functions established in the District Secretariat are performed at Divisional Secretariat level.

2.3 Receiving of supplies and services through procurement process

Certain instances revealed that in ascertaining supplies and services required for the performance of functions of the District Secretariat, payments had been made for the following works, supplies and services not complied with the provisions in the government procurement guidelines.

- (a) In terms of guideline 3.6 of the government procurement guidelines, goods can be ordered within the period of 6 months from the first supplier for the supply of the same goods. Exceeding that period the Monaragala District Secretariat and the Sewanagala Divisional Secretariat had placed orders valued at Rs.568,049 with the first supplier and made the purchases in the year 2017.
- (b) Even though, the 3rd member of a Divisional Procurement Committee should be a person outside the procurement entity, in terms of guideline 2.7.7 of the government procurement guidelines, an officer in the Divisional Secretariat had been appointed as the 3rd member of Procurement Committee in respect of 102 Procurement decisions totalling Rs.41.63 million by the Madulla Divisional Secretariat.
- (c) The estimated cost of the repair work of Kataragama Youth Brigade Training Centre building amounted to Rs.3.37 million. According to the guideline 3.2 of the government procurement guidelines, procurement could have been done by calling for national competitive bids as per that estimated value. The estimated of this work had been divided into 2 parts so as to reduce the value up to Rs.2 million and awarded to two voluntary organizations by the Katharagama Divisional Secretariat, deviating from calling for national competitive biddings and paid a sum of Rs.2.94 million.
- (d) According to the guideline 2.14.1 of the government procurement guidelines, a regional procurement committee can procure, less than the value of Rs.1 million procurements under the shopping method. Exceeding that limit, the Regional Procurement Committee of Wellawaya Divisional Secretariat had purchased engrafted fruit plants valued at Rs.1.33 million by calling for bids under the shopping method.

2.4 Assets Management

The following observations are made.

- (a) Non-testing of fuel consumption of motor vehicles
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The fuel consumption of 9 motor vehicles at Wellawaya, Medagama and Madulla Divisional Secretariats had not been tested in the year under review in terms of paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.

(b) Non-rendition of vehicle accident reports

Reports in terms of Financial Regulation 104(4) in respect of 5 motor vehicles met with accidents in the year 2017 belonged to the District Secretariat had not been presented to the Auditor General.

2.5 Commitments and Liabilities

Liabilities of Rs.778,949 had been committed in excess of the provisions made for 6 objects of expenditure by the District Secretariat, contrary to the paragraph 02 (a) of the State Accounts Circular No,255/2017 of 27 April 2017.

2.6 Irregular Transactions

Payments for 14 vouchers totalling Rs.1.61 million had been made by the Wellawaya District Secretariat in December 2017 without being certified the payment in terms of Financial Regulation 139.

2.7 Contract Administration

The following deficiencies were observed at an audit test check carried out in respect of contracts executed by the District Secretariat.

- (a) The contract for the construction of new Katharagama Divisional Secretariat building had been awarded to a contractor at a contractual value of Rs.46.33 million by the District Secretariat, Monaragala. The following weaknesses were observed at the audit examination carried on 24 April 2018.
 - (i) An agreement had been entered into with the contractor for the construction of building on 16 August 2016. According to the agreement the construction works of the building should have been completed by 16 November 2017 but it had not been completed by that date. The contract period had been extended up to 20 March 2018 since that date. Even though, a sum of Rs.38.68 million had been spent by March 2018 therefor, construction works had not been completed even by 24 April 2018.
 - (ii) As the Katharagama area is an area with high temperature, aluminum foil should have been used for the roof of the building to temperature control, but it was observed that the above requirement had not been considered in the preparation of estimates.
- (b) The District Secretariat, Monaragala had spent a sum of Rs.5.04 million by utilizing the provisions of the Central Environment Authority for the construction of open and close garbage stacking centre and a place for shedding packing and storing garbage for the

Solid Waste Management under the Pilisaruru Project. Audit examination carried out in this connection observed the following weaknesses.

- (i) According to the Letter No.රු/ම/ක/දෙ/පා/176 of 20 April 2016 of the Administrative Secretary of the Ruhunu Katharagama Devalaya, addressed to the District Secretary, Monaragala, the anticipated objectives include; keeping the Katharagama sacred city clean without litter, prevention of environmental pollution occurred due to disposal of garbage existed for a long time, use of manufactured compost fertilizer to the flower garden and vegetable grown in the green house of the Dewalaya and the excess to be given to the farmers of the area. Nevertheless, those objectives could not be achieved even by the end of the year under review.
 - (ii) Even though, a total sum of Rs.5.04 million had been spent for the solid waste management and construction works had been completed by 10 December 2016, buildings were being destroyed by 24 April 2018 as they had not been utilized. It was observed that due to improper disposal of daily collected garbage, risk of spreading dengue hazard had existed.
 - (iii) Even though, the wiring of the constructed building and fixing required equipment had been completed, electricity connection had not been obtained even by 24 April 2018.
- (c) A sum of Rs.42.40 million had been spent by the District Secretariat, Monaragala under the provisions of the Ministry of Home Affairs for the construction of 7 maternity clinic centres in the Monaragala District. The following deficiencies were observed in that connection.
- (i) Even though, agreements had been entered into with the construction entity with a civil works valued at Rs.48.64 million for the construction of 7 maternity clinics, the contractor had completed only the part of works valued at Rs.42.40 million. Portions of works such as making valance boards, supply and laying aluminum foils, supply and installation of eave gutters, supply and installation of down pipes, making and fixing iron grills included in the estimates and the construction agreement valued at Rs.1.97 million had not been performed by the contractor. As such, it was observed that construction works had been carried out, having being dropped the essential parts of works to be done as estimated.
 - (ii) Essential work parts relating to constructions such as construction of pavements, fixing electric fans and toilet facilities to 2 centres had not been included in the estimate prepared for the construction of buildings in clinic centres. In the preparation of final bills, the value of finished works had been less than that of the estimated value and action had not been taken to get the additional work done even at that time.

- (d) Provisions had been made through the District Secretary to build No.1 cultivation well in the Southern Regional Development Programme of 2017 under the Ministry of Law and Order and Southern Development. This construction work had been carried out by the Divisional Secretary, Sewanagala and spent a sum of Rs.878,977. According to the feasibility report relating to the construction of cultivation well, it was expected to achieve the objective of improving of agriculture and the upliftment of income condition of peasantry by supplying water required for farming. The portion of land in which the cultivation well had been built had not been legally vested. As the expected objective had not been achieved, the cultivation well had not been utilized and as a result it was observed that the well had severely polluted.
- (e) The Divisional Secretariat, Sewanagala had spent a sum of Rs.484,963 to purchase materials for the construction work of a community hall in a temple under the decentralized budget programme of the year 2017 and the materials had been handed over to a voluntary organization. By the end of the year under review, only excavating sumps to build columns for the building had been done and the construction work had not been completed being used the material given.
- (f) The Divisional Secretariat, Sewanagala had given a submersible water pump to a community based organization by incurring a sum of Rs.194,000 under 2017 decentralized budget Development Programme. It had not been utilized even by 20 March 2018 and kept in a beneficiary's house.
- (g) The Badalkumbura Divisional Secretariat had spent a sum of Rs.248,507 for gravelling the Karawila Ella uproad project. The following deficiencies were observed in this connection.
- (i) Provisions had been made to arrange the road properly using earth having being motor graded. However, after being motor graded the road, it had made muddy along with the rain and as such all the money had been spent to remove the muddy soil and the intended purpose could not be fulfilled.
- (ii) An overpayment of Rs.185,125 had been made to the contractor, as the rates specified in the road prices schedule had not been used in making payments for removing mud from the road.
- (h) The project for the construction of a tube well under the Dombagahawela Water Scheme in the Rural Infrastructure Facilities Development Programme for 2016 had been executed by the Siyabalanduwa Divisional Secretariat and a sum of Rs.492,565 had been paid to the National Water Supply and Drainage Board by the Divisional Secretariat for that construction work. Even though the National Water Supply and Drainage Board had built the well, the upper part of the tube well with the hand pump enabling the beneficiaries to take water had not been built. As such, it was observed that the beneficiaries had not used the constructed well.

- (i) The Divisional Secretariat of Bibila had executed the Kehelaththawela community water project extension work in the year 2016 under the Rural Infrastructure Facilities Development Programme for the supply of drinking water and other water needs of the people living in that area. A sum of Rs.494,340 had been spent for the purchase of 456 PVC pipes of 63 mm, 40 mm and 32 mm therefor. However, the pipes those purchased for the purpose had not been utilized therefor and kept them unprotected behind a private house. It was observed that the intended purpose had not been achieved therefrom as this work had not been performed.
- (j) Under the 2016 Decentralized Budget Development Programme, the Bibila Divisional Secretariat had purchased construction materials by incurring a sum of Rs.198,915 for the balance works of the Community Centre in the public land near the Nagala Health Centre and handed over to a voluntary organization. Even though, those materials had been purchased and given for the construction of a new room, only wires had been used for the construction of concrete columns for the room and the construction work had been abandoned subsequently.
- (k) A sum of Rs.687,188 had been spent by the Divisional Secretariat, Medagama for making Iukkumbra well of the Ilukkumbura Ranminigama water project with the objective of fulfilling day today water needs of the people in the area, healthy water supply and the supply of water for cultivation. The access road to the well was overgrown with weeds. Even though, one objective of the project was to provide healthy water service, a water test report to ensure the suitability of water of the well for human drinking requirements had not been obtained. Moreover, action had not been taken to cover the well so as to prevent dropping waste. As a result, it was observed that the beneficiaries had not taken their water needs from this well.
- (l) The Divisional Secretariat, Katharagama had spent a sum of Rs.317,255 for the use of moulded planks to the Gestupana Canal concreting project at Katharagama. A feeble make was observed in those moulded plans used therefor.
- (m) Overpayments totalling Rs.6.08 million had been made to the contractors, comprising Rs.4.72 million in respect of 120 road projects, Rs.1.17 million for 27 development projects and Rs.0.19 million in respect of removing earth and developing a sports ground executed by Thanamalwila, Katharagama, Sewanagala, Siyabalanduwa, Madagama, Bibila, Budalkumbura and Wellawaya Divisional Secretariats coming under the District Secretariat.

2.8 Losses and Damages

Observations revealed at audit test checks on losses and damages are given below.

- (a) The District Secretariat had called for the first time bid for the construction work of official quarters of the Siyabalanduwa Assistant Divisional Secretary. Accordingly, action had not been taken to award the contract to the bidder who had submitted a bid value for Rs.6.16 million. The Procurement Committee had decided to call for fresh bids again. Accordingly, the contract had been awarded to the bidder who had submitted the bid for Rs.6.31 million. As a result, a sum of Rs.154,084 had to be overpaid due to awarding the contract to the bidder who had been selected, having being called for bids at the 2nd time.
- (b) The Department of Valuation had assessed 39 government quarters belonged to the District Secretary and a new valuation report had been given by the Department of Valuation. Even though, rents should have been recovered on the basis of that valuation report, rent had been recovered based on the valuation report obtained relating to the year 2010 and as such the rent amounting to Rs.1.14 million had been under recovered during the period 2016 to March 2018.

2.9 Management Weaknesses

Audit test checks observed the following weaknesses.

- (a) In the recovery of rent of the Accountant's quarters for the period 2010 to January 2014 during which the Accountant had occupied the quarters, rents amounting to Rs.117,634 had been under recovered by the Divisional Secretariat, Bibila. That under recovered rents had not been recovered even up to 08 December 2017.
- (b) In paying pensions to 37 pensioners by the Divisional Secretariat of Wellawaya, Siyabalanduwa, Thanamalwila, Sevanagala and Monaragala, an overpayment of Rs.6.04 million had been made.
- (c) In terms of paragraph 2.4 of the Circular No.1/2016 of 12 January 2016 of the Ministry of Social Empowerment and Welfare, names of beneficiaries who had not obtained benefits continuously for 3 months should be eliminated from the register after being checked, without doing so, action had not been taken to eliminate the names of beneficiaries from the book who had not obtained elders allowance for the periods 04 to 07 months. As such, a total elders allowance of Rs.7.65 million which had not been obtained by beneficiaries in 10 Divisional Secretariats in respect of the years 2016 and 2017 had been surcharged to the respective expenditure objects.

2.10 Utilization of provisions made by Parliament for the accomplishments of functions

Information in respect of provisions made to the District Secretariat during the 5 years ended 31 December 2017, utilization, savings and the audit observations thereon is given below.

Year	Expenditure type	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs.Millions	Rs.Millions	Rs.Millions	
2013	Recurrent	325.3	324.5	0.8	0.2
	Capital	190.5	190.5	-	-
	Total	515.8	515.0	0.8	0.2
2014	Recurrent	340.8	340.4	0.4	0.1
	Capital	390.7	386.2	4.5	1.1
	Total	731.5	726.6	4.9	1.1
2015	Recurrent	429.5	429.3	0.2	0.04
	Capital	53.7	45.1	8.6	19.0
	Total	483.2	474.4	8.8	19.04
2016	Recurrent	464.0	458.7	5.3	1.1
	Capital	120.0	118.5	1.5	1.2
	Total	584.0	577.2	6.8	2.3
2017	Recurrent	462.6	457.8	4.8	1.0
	Capital	118.0	93.2	24.8	21.0
	Total	580.6	551.0	29.6	5.1

The following observations are made in respect of the utilization of provisions during year under review are given below.

Expenditure of Rs.378,225 irrelevant to the buildings and constructions object had included therein and as such expenditure of buildings and constructions expenditure object and its assets had been overstated by Rs.378,225 each in the Appropriation Account.

Utilisation of Provisions allocated by other Ministries and Departments

A total provision of Rs.2,472 million, comprising sums of Rs.2,364 million and Rs.108 million had been allocated by 28 other Ministries and 20 Departments respectively for various activities. Of that provision, only a sum of Rs.1,818 million had been utilized by the end of the year under review. Accordingly, a sum of Rs.654 million or 26 per cent of the allocated provisions had been saved.

2.11 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament in respect of Advances to Public Officers Account bearing item No.27701 relating to the District Secretariat and the actual values are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
37.00	36.70	32.00	33.43	125.00	94.18

The following observations are made in this regard.

According to the reconciliation statement presented to audit, the total outstanding loan balances of 11 officers, except the loan balances of officers who had gone on transfers, amounted to Rs.2.42 million. Even though, those balances had existed for the periods ranging from 01 to 05 years they had not been recovered even by the end of the year under review.

2.12 General Deposit Account

The balances of 5 general deposit accounts under the District Secretariat as at 31 December 2017 totalled Rs.92.9 million. Action in terms of Financial Regulation 571 had not been taken in respect of 121 deposits totalling Rs.19.92 million included in that balance belonged to the District Secretariat and Madulla Divisional Secretariat elapsed for more than 2 years.

2.13 Non-compliances

2.13.1 Non-compliance with Laws, Rules and Regulations

Non-compliances with laws, rules and regulations observed at audit test checks are analyzed below.

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

(i) Financial Regulation 215(3) (c)	492,522	Transfer of money relating to the development of Nagahamada, Neelawabedda road implemented under the Rural Infrastructure Facilities Development Programm 2016 by the Madulla Divisional Secretariat to the General Deposit account without the approval of the Treasury.
(ii) Other Circulars		

Paragraph 2.III of the Environment Circular No.02/2015 of 29 September 2015.		- Without the recommendations of a committee in which the District Secretary and other related parties had participated and without obtaining a excavating and transport permit, 2,331 cubes of soil/ gravels had been excavated and transported by reaching an agreement with the Divisional Secretary, Buttala for 24 development projects implemented.

2.13.2 Non-compliance with Tax requirements

Value Added Tax amounting to Rs.806,053 had been paid to a lessee in the year 2016 by the Wellawaya Divisional Secretariat whose registration had been defunct since the year 2013.

2.14 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

Particulars on approved and actual cadre and the number of vacancies as at 31 December 2017 to perform the functions stated in paragraph 2.1 above are given below. A sum of Rs.385 million had been spent by the District Secretariat for the year under review under the personnel emolument expenditure object.

	Staff Category	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	41	32	9
(ii)	Tertiary Level	23	5	18
(iii)	Secondary Level	814	636	178
(iv)	Primary Level	113	103	10
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	Total	991	776	215
		=====	=====	=====