

**Appropriation Head – 273 - District Secretariat, Puttalam**

**Report of the Auditor General – Year 2012**

1.1 Key Functions of the District Secretariat

- (a) Co-ordinate and direct the activities of the Offices of the Divisional Secretaries under the District Secretariat.
- (b) As the main co-coordinating institution of the Government, implement, review of progress and co-ordinate the Government Development Programmes and Projects according to the directives of the Government.
- (c) Implement the powers vested by the Statutory Ordinances and Acts from time to time.
- (d) Maintain co-ordination with the Defence Sectors to maintain law and order relating to the general public and ensure their security.
- (e) Implement and co-ordinate the programmes of the various Departments and Ministries of the Government as their main representative in the District.
- (f) Collection and accounting for the State Revenue as the Revenue Accounting Officer.

1.2 Divisional Secretaries under the District Secretariat

- (a) Wennappuwa
- (b) Nattandiya
- (c) Chilaw
- (d) Arachchikattuwa
- (e) Puttalam
- (f) Kalpitiya
- (g) Vanathavilluwa
- (h) Karuwalagaswewa
- (i) Nawagaththegama

- (j) Anamaduwa
- (k) Mahakumbukkadawala
- (l) Dankotuwa
- (m) Madampe
- (n) Pallama
- (o) Mundalama
- (p) Mahawewa

### 1.3 Scope of Audit

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The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the District Secretariat, Puttalam for the year ended 31 December 2012 was audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the District Secretary on 26 June 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and the reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

### 1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and the Reconciliation Statements

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The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements, whether due to fraud or error.

## 1.5 Audit Observations

According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the general observations appearing at (a) to (d) and other major findings appearing in paragraphs 1:6 to 1:15 herein, the Appropriation Account, and the Reconciliation Statements of the District Secretariat, Puttalam had been prepared satisfactorily.

### (a.) Failure to maintain Registers and Books

Sample tests revealed that the District Secretariat had not maintained the following registers whereas, some of the registers had not been maintained properly and in an updated manner.

<u>Category of Register</u>	<u>Regulation</u>
Register of Fixed Assets	Treasury Circular No 842 dated 19 December 1978
Register of Losses and Damages	F.R. 110
Daily running charts and monthly reports of incidents	F.R. 1646

### (b.) Appropriation Account

#### i. Total Provision and Expenditure

The total net provision allocated to the District Secretariat for the year under review amounted to Rs. 545,934,726, out of which Rs. 501,927,342 had been utilized by the end of the year under review resulting in a net saving of Rs. 44,007,384 equivalent to 8 per cent of the total net provision. Details are as follows.

<u>Expenditure</u>	<u>Estimated Provision as at 31 Dec. 2012</u>	<u>Net Provision as at 31 Dec. 2012</u>	<u>Saving as at 31 Dec. 2012</u>	<u>Saving as a Percentage of Net Provision</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>%</u>
Recurrent	378,500,000	443,734,726	4,563,666	01
Capital	102,200,000	102,200,000	39,443,718	39
<b>Total</b>	<b>480,700,000</b>	<b>545,934,726</b>	<b>44,007,384</b>	

ii. Budgetary Variance

- Total net provision amounting to Rs. 50,000 allocated to 02 Objects had been saved.
- As over provisions had been allocated to 17 Objects , the saving after the utilization of provisions , ranged between 10-80 per cent of the net provisions for the said Objects.

iii. Utilization of Provisions granted by other Ministries and Departments.

District Secretariat had received provisions for miscellaneous purposes totaling Rs.3,626,557,053 inclusive of Rs. 2,635,989,690 and Rs. 990,567,363 granted by 22 Ministries and 16 Departments respectively. District Secretariat had utilized provisions totaling Rs. 3,234,056,926 whereas, provisions totaling Rs. 524,000 granted by 02 Ministries had been totally saved due to non-utilization. Out of the Provisions of Rs.2,474,241,601 and 21,773,265 granted to Ministry of Economic Development and Ministry of Child Development & Women’s Affairs respectively , amounts of Rs.196,127,673 and Rs. 10,450,150 had not been utilized respectively. Also, an amount of Rs. 110,810,529 had not been utilized out of the provision amounting to Rs.520,103,265 granted by Department of Samurdhi Commissioner General.

(c.) Advances to Public Officers Accounts.

Limits Authorized by the Parliament.

Actual values and limits authorized by the Parliament on the Item No 27301 – Advances to Public Officers Account are as follows.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
<u>Maximum Limit</u>	<u>Actual</u>	<u>Minimum Limit</u>	<u>Actual</u>	<u>Maximum Limit</u>	<u>Actual</u>
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
50,000,000	46,328,899	25,000,000	54,298,105	190,000,000	141,063,856

As per the reconciliation statement of the Item No 27301 - Advances to Public Officers Account as at 31 December 2012 , the total of the outstanding balances was Rs. 3,896,236 inclusive of 25 loan balances totaling Rs. 1,297,683 that remained outstanding for more than 2 years.

(d.) General Deposit Account.

The total of the balances in the General Deposit Account of District Secretariat as at 31 December 2012 was Rs. 265,542,126.

Following observations are made in this regard.

- i. Action had not been taken as per F.R. 571 on general deposit balances of the District Secretariat and 13 Divisional Secretariats totaling Rs. 8,265,866 that remained outstanding for more than 2 years.
- ii. A sum of Rs. 2,866,036 had been transferred to the General Deposit Account having been accounted as non-spent expenditure by the District Secretariat without being approved by the Treasury in violation of F.R. 215(3)

1.6 Good Governance and Accountability

1.6.1 Corporate Plan

According to the letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of the Department of Public Finance addressed to all the Secretaries of Ministries, Chief Secretaries of the Provincial Councils, Heads of Department, District Secretaries and Heads of Local Authorities, a Corporate Plan should be prepared by the District Secretariat at the beginning of the year at least for 03 years from the year 2010 onwards. However, such a Plan had not been prepared even by 31 December 2012.

1.6.2 Annual Action Plan

Even though an Action Plan should be prepared by the District Secretariat for year 2010 and onwards in accordance with the Corporate Plan prepared in terms of the letter of the Director General of the Department of Public Finance mentioned in paragraph 1.6.1 above, the Action Plan for the year under review had not been prepared even by 31 December 2012.

1.6.3 Annual Procurement Plan

Annual Procurement Plan had not been prepared up to 31 December 2012 in terms of National Budget Circular No.128 dated 24 March 2006.

1.6.4 Internal Audit

Twelve internal audit queries had been issued with respect to 12 Divisional Secretariats during the year under review. The District Secretariat and 04 Divisional Secretariats had not conducted any internal audit.

Deficiencies observed in internal audits , follow-up actions for the rectification of weaknesses in internal controls and actions taken had not been furnished to audit.

1.6.5 Execution of Audit and Management Committees.

Even though 04 audit and management committee meetings should have been conducted during the year under review, only 02 sessions had been held.

1.7 Assets Management

Idle Assets

Two buildings owned by the District Secretariat had been remaining idle for 05 years.

1.8 Non-compliances

Instances of non – compliance with the provisions of laws, rules and regulations observed at audit test checks are analyzed below.

<u>Reference to Laws, Rules and Regulations</u>	<u>Value</u> Rs.	<u>Non compliance</u>
a. <u>Financial Regulations</u>		
F.R. 104(1)	-	Damage caused to 2 vehicles had not been assessed and action had not been taken as per the Financial Regulations.
F.R. 880	-	Officers had not given security

- b. Public Administration Circular - Information on the life certificates should be obtained when paying pensions though, there were improprieties in receiving information  
Circular No. රා.පරි/ලි/1/5.වැ dated 05 October 2007
- c. Public Finance Circular  
Circular No PF-427 dated 13 March 2008 - A vehicle had not been insured.
- d. Other Circulars
- i. Paragraph 3 of the letter No. 10,000,000 Involvement of the community for the non-experienced labour in road development and small scale rural infrastructure projects had not been obtained.  
ආස/ස0/ගමනැගුම සමස්ථ අධිකෘතිය/2012 dated 16 February 2012.
- ii. Letter of the Director of 151,348 Although the pensions of the deceased had been sent to bank accounts in 07 instances during the year 2012 by the Divisional Secretariat, Chilaw , action had not been taken as per the Circulars  
Pensions dated 25 September 2003.

### 1.9 Weaknesses in Implementing Projects

Instances of abandoning projects without commencing, without completing and delays in projects revealed during audit test checks are given below.

#### a.) Projects Abandoned without Commencing

Although the District Secretariat should have commenced a project for concreting a road with an estimated cost of Rs. 1,238,367 on 12 December 2012, the contractor could not commence the project as water pipelines were being laid along the road by a water supply project.

#### b.) Delays in the Execution of Projects

The following projects had been commenced by the District Secretariat though, those projects could not be completed during the year.

Project	Estimated Cost (with contribution from the community)	Date Commenced	Expenditure as at 31 December 2012	Reason for delay
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	Rs.		Rs.	
Renovation of Aluthwewa	1,215,729	2012.09.05	600,745	Preparation of estimates by the Department of Agrarian Services had been delayed and inclement weather.
Drinking water project- Welipelessa	1,200,000	2012.12.17	590,352	Delay in vesting of the land and inclement weather that prevailed at the end of the year.
Construction of water tanks in Kumbukwewa	11,030,274	2012.12.13	38,105	Inadequacy of time as the agreement had been entered into at the end of the year.
Supplying water to Naikkulama village in Wadatta (water tank)	615,695	2012.11.21	--	Inclement weather.
Construction of side wall and renovation of the remaining stretch of Benil Mawatha	1,000,000	2012.12.10	--	Inclement weather.
Renovation of Marada Road	1,207,816	2012.6.18	556,043	
Renovation of Garage Road	1,159,749	2012.7.30	6,894	



Renovation of phase 2 of Rev. Father Arthur Martin Road	619,637	2012.7.27	74,922	
Renovation of St. Mary's Road at Bankada intersection	1,217,824	2012.11.15	840,304	
Renovation of Erabadugahawatta Road	1,207,816	2012.11.18	--	
Renovation of Cemetery Road	1,207,816	2012.11.28	936,132	
Renovation of Katugodawela Road	1,208,724	2012.07.19	--	Non-availability of a Technical Officer.
Renovation of Luhds Mawatha	1,210,887	2012.08.02	934,940	
Tarring of Thalgahakatuwa Road	606,790	2012.10.30	546,111	
Renovation of Temple Road	1,101,011	2012.07.06	932,786	
Revamping the network of ditches (Thunmodara)	1,255,633	2012.11.14	36,223	
Renovation of Al Hira Road, Ihalakottamulla	1,154,584	2012.06.25	112,889	
Renovation of Midland Road	1,023,138	2012.10.15	781,681	
Renovation of Thittaella Road	1,085,158	2012.11.16	781,681	
Tarring of the road	1,090,319	2012.11.12	654,600	

from school at  
Narawila to  
Kuddetiya  
temple.

Renovation of the	1,084,241	2012.10.10	163,134
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building for  
mothers and  
infants clinic

Renovation of	1,140,314	2012.12.03	36,469
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Mirissakele Road

Renovation of	1,139,052	2012.12.27	--
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cross street 1 ,

Marawilawatta

Renovation of	1,109,000	2012.11.19	54,770
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Preschool ,

Narawila

Renovation of,	1,139,399	2012.07.07	860,027
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small and

traditional center

in Dandeniya

colony.

#### 1.10 Deficiencies in the Operation of Bank Accounts

##### Balances for Adjustment

Having been issued as per the bank reconciliation statements prepared by the District Secretariat ,  
Puttalam for the month of December 2012 though, action had not been taken in terms of FR  
396(c) on 07 expired and Rs. 42,375 worth of cheques that had not been presented to the bank.  
Furthermore, action had not been taken even by 31 December 2012 to account receipts and  
payments mentioned in the reconciliation statement as Rs. 6,213 and 37,828 respectively.

1.11 Irregular Transactions

Transactions without Adequate Authority

- I. Rs. 50,691 worth of fuel had been obtained by the Divisional Secretariat , Karuwalagaswewa for 2 vehicles during the year 2012 without using fuel orders.
- II. A sum of Rs. 1,936,347 had been spent out of the amount granted to Divisional Secretariat, Karuwalagaswewa in order to implement drinking water supply project in Tabbowa through dam safety project of the Ministry of Irrigation and Water Resources Management; however, no evidence to the effect that proper approval had been obtained from the District Secretary for the implementation of said project , had been furnished to audit .

1.12 Transactions of Fraudulent Nature

Cash had been obtained for work not executed by including fraudulent information in payment vouchers as to an amount of Rs. 113,525 spent on school development programs in Divisional Secretariats in Mahakumbukkadawala and Wanathavilluwa.

1.13 Uneconomic Transactions

As payments had been made by saving an amount of Rs. 102,809 from a provision amounting to Rs. 1,000,000 received in 2012 for development activities of the schools in Divisional Secretariat , Karuwalagaswewa , the relevant task could not be accomplished.

1.14 Management Weaknesses

Following observations are made.

- a) An amount of Rs. 250,000 granted to Potters Cooperative Society in Kirimatiyana by the Divisional Secretariat, Dankotuwa in the years 2010 and 2011 under the decentralized budget investment fund had become an idle expense.
- b) A drinking water project had been implemented in Maningala by the Divisional Secretariat , Nattandiya under the project “Ek gamakata ek wadak” being executed under the financial

provisions of Ministry of Economic Development. Well and the pump house had been constructed in the year 2011 at an expense of Rs. 675,456 whereas, the necessary equipment had been supplied in the year 2012 at the expense of Rs. 939,000. As the National Water Supply and Drainage Board had recommended on 13 June 2012 that the water in this source was not suitable for drinking, the expense incurred thereon amounting to Rs. 1,614,456 had become futile.

- c) Divisional Secretariat, Nattandiya had paid an amount of Rs. 50,000 to a women's organization in Uthurumudukatuwa, Marawila through the decentralized budget fund 2012 for commencing a revolving fund for self-employment. The revolving fund had not been commenced even as of the date of audit, 06 February 2013 and the Treasurer of the organization had withdrawn an amount of Rs. 40,000 from the bank on 16 January 2013.
- d) Rs. 636,322 worth of goods and equipment had been granted to Divisional Secretariats in Kalpitiya, Pallama, Mahakumbukkadawala for development activities by decentralized investments and Gama Neguma projects in the year 2012. Those goods and equipment had not been distributed even by March 2013.
- e) Weaknesses in supervision over 2 projects valued at Rs. 2,087,641 had been observed during the industrial inspections carried out in Divisional Secretariats, Nawagattegama, Mahakumbukkadawala and Kalpitiya under Gama Neguma projects in 2012. Also, an amount of Rs. 510,511 had been paid for non-accomplished tasks under 12 projects.
- f) Divisional Secretariat, Madampe had made an overpayment of Rs. 687,101 to 28 retirees as monthly pensions. Action had been taken to recover the overpaid amount in terms of instalments since September 2012 though, details thereon had not been included in the pension files. Even though the file belonging to a retiree who had been overpaid an amount of Rs. 94,778 as pensions was dispatched to the Divisional Secretariat, Bingiriya, particulars relating to the amount to be recovered out of the overpaid amount was not informed.

Furthermore, Rs. 125,225 was paid as pensions for a period of 8 months in Divisional Secretariat, Kalpitiya for 2 retirees even after they had been deceased.

- g) Rs. 180,000 worth of funds granted by the Sri Lanka Women's Bureau in 1996 to the Divisional Secretariat, Arachchikattuwa for establishing a revolving loan fund in order to ameliorate the

economic standards of the members of the women’s societies had remained idle. Documents in this regard had not been furnished to the audit inspection conducted in March 2013. Also, out of the fund amounting to Rs. 200,000 granted in the year 2005 for establishing a revolving fund , an amount of Rs. 67,100 had been deposited in the bank as at 15 May 2008; however, the account had been remaining idle until April 2013 and the balance amount of Rs. 132,900 issued to the members as loans remained idle since the same day.

**1.15 Human Resource Management**

**Approved and Actual Cadre**

The position of the Cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Surplus
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(i) Senior Level	55	43	12	--
(ii) Tertiary Level	34	15	19	--
(iii) Secondary Level	998	761	237	--
(iv) Primary Level	172	160	12	--
(v) Other(Casual/Temporary/ Contract)	--	07	--	07
(vi) Graduate Trainees	1387	1228	159	--
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Total	2646	2214	439	07
	=====	=====	=====	=====