

Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Puttlam District Secretariats and the Audit Observations on the Head appear in paragraph 3.

1 Divisional Secretariats under the District Secretariat

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|-----------------------|-------------------------|
| (i) Puttlam | (ix) Mahakumbukkadawala |
| (ii) Anamaduwa | (x) Arachchikattuwa |
| (iii) Karuwalagaswewa | (xi) Chillaw |
| (iv) Nawagattegama | (xii) Wennappuwa |
| (v) Pallama | (xiii) Naththandiya |
| (vi) Mundalama | (xiv) Mahawewa |
| (vii) Wanathavilluwa | (xv) Dankotuwa |
| (viii) Kalpitiya | (xvi) Madampe |

1:1 Scope of Audit

The audit of the Appropriation Account and reconciliation statements including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Puttlam for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the District Secretary on 23 July 2015. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

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

2 Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the District Secretariat amounted to Rs.526.63 million and out of that Rs.521.41 million had been utilized by the end of the year under review. Accordingly, a sum of Rs.5.22 million or 0.3 per cent of the net provision of the District Secretariat had been saved. Details appear below.

Expenditure	As at 31 December 2014			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	488.23	483.97	4.26	0.87
Capital	38.40	37.44	0.96	2.50
Total	526.63	521.41	5.22	0.99
	=====	=====	=====	

(a) Utilization of Provision made available by other Ministries and Departments

Twenty five Ministries and 20 Departments had made available provision totalling Rs.1,344.32 million comprising Rs.257.11 million and Rs.1,087.21 respectively for various activities and out of that provision sums of Rs.230.43 million and Rs. 1,048.80 million respectively totalling Rs.1,279.23 million had been utilized. Accordingly, sums of Rs.26.68 million and Rs.38.41 million respectively totalling Rs. 65.09 million had been saved .

2.2 Advance Account

Advances to Public Officers' Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account relating to the District Secretariat, Puttlam and the actual values are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----	-----
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
27301	45.0	39.3	33.0	30.7	168.0	143.0

2.3 General Deposit Account

The balance of the General Deposit Account of the District Secretariat as at 31 December 2014 totalled Rs.320.37 million.

2.4 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the Management Audit Report, referred to in paragraph 1.1, the Appropriation Account and the Reconciliation Statements of the District Secretariat, Puttlam have been prepared satisfactorily. The material and important observations out of the observations included in those Management Audit Reports appear in paragraph 3.

3. Head-273 District Secretariat, Puttlam

3.1 Non-maintenance of Registers and Books

It was observed during audit test checks that the District Secretariat had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
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(a) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978	Not maintained
(b) Register of Fixed Assets on Computer, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002	Not maintained
(c) Audit Query Register	Financial Regulation 452 (I)	Not updated
(d) Cash Book	Financial Regulation 446	Not maintained in an updated manner at the Divisional Secretariats of Arachchikattuwa and Karuwalagaswewa.

(e)	Departmental Appropriation (Votes) Ledger	Financial Regulation 447	Not maintained in an updated manner at the District Secretariats, Puttlam and Divisional Secretariat, Naththandiya.
(f)	Stock Book	Financial Regulation 751 and 763	Not maintained in an updated manner.
(g)	Security Register	Financial Regulation 891 (I)	Not maintained in an updated manner.
(h)	Inventory of Electrical Fittings	Financial Regulation 454 (2)	Not maintained
(i)	Register of Losses	Financial Regulation 110	Not maintained in an updated manner.
(j)	Record of Liabilities	Financial Regulation 214	Not maintained
(k)	Vehicle Log Books	Financial Regulation 1645 (a)	Not maintained in an updated manner.
(l)	Vehicle Listing Register	Financial Regulation 1647 (e)	Not maintained
(m)	Register of Loans and Advances	Paragraph 9 (I) of the Public Enterprises Circular No.96 dated 10 August 1994	The Register of Loan Advances had not been maintained and loan register had not been updated in certain Divisional Secretariats.
(n)	Attendance Register of the Procurement Committee and Technical Evaluation Committee.	Guideline 2:11.2 of the Government Procurement Guidelines.	Not maintained
(o)	Minutes of the Committee meetings	Guideline 2:11.3 of the Government Procurement Guidelines	Not maintained
(p)	Register of Calling Bids	Guideline 5:2.1 of the Government Procurement Guidelines	Not maintained

3.2 Replies to Audit Queries

Replies to 12 audit queries issued in the year under review and 03 audit queries issued in the preceding years had not been furnished even by 31 March 2015. The value of quantifiable transactions relating to those audit queries amounted to Rs. 77,723,234.

3.3 Non-compliance with Limits

Although the limit of the minimum receipts of the Advances to Public Officers Account Item No.27301 was Rs.33,000,000, the actual receipts as at the end of the year under review was Rs.30,737,538. Accordingly, the limit of the minimum receipts had not been reached by Rs. 2,262,462.

3.4 Appropriation Account

3.4.1 Budgetary Variance

Overprovisions had been made for 7 Objects and as a result, the savings after utilization of the provisions had ranged between 8 per cent to 72 per cent of the net provision related to those Objects .

3.4.2 Utilization of Provision made available by other Ministries and Departments

The following observations are made.

- (a) The utilization of the provision made available by the Ministry of Justice had exceeded by Rs.564,898.

- (b) The provision amounting to Rs.35,212 made available by the Ministry of Industrial and Commercial Affairs had not been utilized by the District Secretary for the relevant purpose even by the end of the year under review.
- (c) The savings after the utilization of provisions made available by a Ministry and two Departments had been 65 per cent of that provision.
- (d) The savings after the utilization of provisions made available by 11 Ministries and 14 Departments had exceeded the limit of 5 per cent .

3.5 Imprest Account

Without being complied with the Financial Regulation 371, ad hoc imprest totalling Rs.170,800 exceeding the limit of Rs.20,000 had been issued to three officers of the Madampe and Pallama Divisional Secretariats in three instances.

3.6 General Deposit Account

The following observations are made.

- (a) Action in accordance with the Financial Regulation 571 had not been taken on the deposits totalling Rs.25,999,981 older than 2 years.
- (b) Provisions amounting to Rs.21,003,774 made available to the District Secretariat and Arachchikattuwa, Pallama and Anamaduwa Divisional Secretariats had been retained in the deposit account without being utilized for the relevant purpose.

3.7 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test carried out on the Reconciliation Statement as at 31 December 2014 on Advances to Public Officers Account Item No.27301.

- (a) According to the reconciliation statement made available to the audit, the balances that remained outstanding as at that date totalled Rs.7,468,973 and those outstanding balances had continued to exist over a period from 01 year to 5 years. However, the follow up actions in connection with the recovery of those outstanding loan balances had been at a weak level.
- (b) In the payment of Distress loan, the District Secretariat had paid that loan amounting to Rs.2,423,726 to the officers without being adhered to the provisions in the Public Administration Circular No.30/2008 dated 31 December 2008.

3.8 Good governance and Accountability

3.8.1 Internal Audit

Although the Internal Audit Unit had issued 18 audit queries relating to 16 Divisional Secretariats in the District during the year under review, no audit queries had been issued for the District Secretariat.

3.8.2 Audit and Management Committee

Even though 04 Audit and Management Committee meetings should be held during a year at one committee meeting per quarter, only two committee meetings had been held during the year under review.

3.9 Assets Management

The following deficiencies were observed during the course of audit test carried out on the assets of the District Secretariat.

(a) Idle and Underutilized Assets

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

Category of Assets	Number of Units	Idle/Underutilized period
-----	-----	-----
		Years
(i) Buildings	02	Over 01 year
(ii) Motor Vehicles	01	Over 01 year
(iii) Machinery	07	Over 01 year
(iv) Other Assets (Bicycle)	01	Over 01 year and less than 04 years

(b) Unsettled Liabilities

The unsettled liabilities of the District Secretariat existing over a period of less than one year as at 31 December 2014 amounted to Rs.1,035,819.

3.10 Non-compliances

Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

References to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>		
(i) Financial Regulation 109	2,701,315	Two losses and damages and the loss of unsettled advances relating to the 2004/2005 Maha seasons, 2005 Yala season and 2005/2006 Maha season of the Wanathavilluwa Divisional Secretariat and 2004/2005 Maha and 2005 Yala seasons of the Karuwalagaswewa Divisional Secretariat had not been shown in the Appropriation Account.
(ii) Financial Regulation 110	2,485,367	Particulars on 22 losses had not been shown in the Register of Losses and damages.
(iii) Financial Regulation 396	32,384	Action had not been taken with regard to 10 cheques which elapsed a period of 06 months but not presented for the payments.
(iv) Financial Regulation 571	25,315,735	The half yearly details on the General Deposits had not been furnished and action had not been taken duly in respect of the deposits older than

02 years relating to the District Secretariat and 08 Divisional Secretariats.

- (v) Financial Regulations 1645 and 1646 -- The Daily Running Charts and monthly summaries of 07 pool vehicles of the District Secretariat had not been made available to audit.

(b) Public Administration Circulars

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- (i) Circular No.13/2008 dated 29 June 2008 as amended by the Circular No.13/2008 (IV) dated 09 February 2011. -- Daily Running Charts of 04 pool vehicles had not been furnished to audit.
- (ii) Circular No.14/2013 dated 04 July 2013. -- Contrary to the circular instructions, duties of the Management Assistant Officers had been assigned to the Development Officers.

3.11 Foreign Aid Projects

Under the United Nations Development Programme, foreign aid amounting to Rs.10,118,500 had been received to the bank account of the Puttalam District Secretariat on 12 December 2014. Without being correctly identified that amount, it had been shown as unidentified receipts in the bank reconciliation statements up to march 2015 and brought to account after being delayed up to April 2015.

3.12 Implementation of Projects under Domestic Financing

Instances of projects abandoned without commencing ,projects abandoned without completion and the project delays revealed during the course of audit test checks are given below.

(a) Projects Abandoned without Commencing

Hundred and eight projects the estimated value of which totalled Rs.12,172,212 had not been commenced by 06 Divisional Secretariats under the District Secretariat.

(b) Projects Abandoned without Completing

Forty six projects had been commenced in 02 Divisional Secretariats under the District Secretariat and a sum of Rs.18,747,067 had been spent for that purpose. Subsequently, those projects had been abandoned without being completed.

(c) Delays in the Execution of Projects

Four hundred and fourteen projects the estimated cost of which totalled Rs.220,777,022 had not been completed within the prescribed period by 08 Divisional Secretariats under the District Secretariat. A sum totalling Rs.51,076,186 had been spent for that project as at 31 December 2014. A period from 01 month to 06 months had been delayed for the completion of those projects.

3.13 Key Functions not Adequately Carried out

Several instances were observed where the key functions had not been adequately carried out by the following Divisional Secretariats under the District Secretariat.

(a) Even though the Wanathewilluwa Divisional Secretariat had spent a sum of Rs.674,194 for the construction of hostel of the Mikkulama Aurvedic Medical Centre, a plank of a door had been so cracked to detach from the door.

(b) Even though 10 hydro projects the estimate of which totalling Rs.23,106,246 had been commenced in the Pallama Divisional Secretariat, works of those projects had not been completed. Since provisions had not been received again for those projects, it had been unable to complete those projects even as at 31 December 2014.

3.14 Transactions of Contentious Nature

A sum of Rs.31 million had been deposited in the Bank of Ceylon Kalpitiya branch for acquiring lands of 14 island of Kalpitiya for the establishment of a tourist destination, whereas it had not been implemented.

3.15 Transactions Without Authority

The District Secretariat had carried out the following transactions without the authority.

- (a) Contrary to the Circular No.MFD/S/S/I dated 11 February 2013 of the Secretary to the Ministry of Finance, equipment costing Rs.152,540 had been purchased for the Coordinating Committee of the Pallama Divisional Secretariat.
- (b) Without the approval of the Secretary to the Ministry of Economic Development, capital goods valued at Rs.515,994 had been purchased from the administrative expenses of the works carried out by the Pallama Divisional Secretariat out of the provisions of that Ministry.
- (c) Provisions amounting to Rs.400,000 made for the several projects had been utilized for another projects.
- (d) Although provision totalling Rs.300,000 had been made for the construction of buildings of 03 Dhamma schools of the Naththandiya Divisional Secretary's Division, those provisions had been utilized for another projects without proper authority.

3.16 Transactions in the Nature of Financial Frauds

When constructing environmental and children garden in the Kalpitiya Divisional Secretary's Division, without filling foundations with gravel, a sum of Rs.152,544 had been obtained.

3.17 Management Weaknesses

The following weaknesses were observed during the course of audit test check.

- (a) Development goods valued at Rs.3,657,415 purchased by the Wanathavilluwa, Nawagaththegama and Kalpitiya Divisional Secretariats for distributing among the rural volunteer organizations had not been distributed to the relevant organizations even by the end of March 2015.
- (b) Thirty three cheques valued at Rs.140,875 which had been written and signed by the Navagaththegama Divisional Secretariat in December 2014 had been retained in hand without being handed over to the relevant persons even by May 2015.

3.18 Human Resources Management

Approved Cadre and the Actual Cadre

The position relating to cadre as at 31 December 2014 is as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excesses
-----	-----	-----	-----	-----
(i) Senior Level	55	49	06	--
(ii) Tertiary Level	34	15	19	--
(iii) Secondary Level	1101	971	130	--
(iv) Primary Level	172	159	13	--
(v) Other (Contract basis)	--	04	--	04
	-----	-----	-----	---
Total	1,362	1,198	168	04
	=====	=====	====	==

The following observations are made.

The District Secretariat had failed to obtain a proper approval for the excess of the employees recruited.