

Report of the Auditor General on Head 259 – District Secretariat Matale – Year 2014

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

1. Divisional Secretariats under the District Secretariat

- (a) Matale
- (b) Ukuwela
- (c) Rattota
- (d) Laggala
- (e) Wilgamuwa
- (f) Pallepola
- (g) Yatawatta
- (h) Dambulla
- (i) Naula
- (j) Galewela
- (k) Ambanganga

1.1 Scope of Audit

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the District Secretariat, Matale for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154 (I) 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 31 August 2015. The audit observations, comments and findings on the accounts and 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.

1.2 Responsibilities 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.480.83 million and out of that Rs.479.77 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the District Secretariat amounted to Rs.1.06 million and represented 0.22 per cent of the net provision. Details appear below.

| Expenditure | <u>As at 31 December 2014</u> | | | Savings as a Percentage of Net Provision |
|-------------|-------------------------------|--------------|--------------|--|
| | Net Provision | Utilization | Savings | |
| ----- | ----- | ----- | ----- | ----- |
| | Rs.Millions | Rs. Millions | Rs. Millions | |
| Recurrent | 429.58 | 429.48 | 0.10 | 0.02 |
| Capital | 51.25 | 50.29 | 0.96 | 1.87 |
| | ----- | ----- | ----- | |
| Total | 480.83 | 479.77 | 1.06 | 0.22 |
| | ===== | ===== | ===== | |

(b) Utilization of Provisions made available by other Ministries and Departments

Provisions totalling to Rs.3,097.89 million had been made available by other 27 Ministries and 21 Departments for various purposes and a sum of Rs.2,741.40 million out of that had been utilized. Accordingly, provisions of Rs.356.49 million had been saved.

2.2. Advance Account**2.2.1 Advances to Public Officers Account****Limits Authorized by Parliament**

Limits authorized by Parliament for the Advances to Public Officers Account in respect of the District Secretariat 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 |
| 25901 | 38.0 | 37.4 | 27.0 | 25.7 | 150 | 126.2 |

2.3 General Deposit Account

The balance of the Deposit Account of the District Secretariat as at 31 December 2014 totalled Rs.202.7 million.

2.4 Audit Observation

According to the Financial Records and the 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, Matale have been prepared satisfactorily. The material and important observations out of the observations included in the Management Audit Report appear in Paragraph 3.1 to 3.13 herein.

3. Head 259 – District Secretariat, Matale

3.1 Non – compliance with Limits

Even though the Minimum Limit of Receipts authorized by Parliament relating to the Advances to Public Officers Account of the District Secretariat was Rs.27,000,000, that limit had been short fallen by Rs.1,274,013.

3.2 Provisions made available by other Ministries, Departments and Offices

Provisions totalling Rs.3,097.89 million had been made available by other 27 Ministries and 21 Departments to the District Secretariat, Matale in the year 2014, and out of that, a sum of Rs.2,741.40 million or 88 per cent of provisions had been utilized. The following observations are made in this connection.

- (a) Provisions of Rs.1,610,191,940 had been given by Ministry of Economic Development in the year 2014 to implement the Development Projects. Provisions of Rs.1,372,487,945 out of that had been utilized by the end of the year under review.
- (b) The works of 463 projects amounting to Rs.278,384,336 had been taken as continued works by 09 Divisional Secretariats including the District Secretariat without complying the conditions and the instructions mentioned in the “Guideline of the implementation of Development Programmes during the year 2014” issued by the Ministry of Economic Development. No action whatsoever had been taken thereon even by 31 May 2015.
- (c) Ten thousand nine hundred seventy seven units of goods amounting to Rs.42,021,979 purchased as at 31 December 2014 out of the provisions given by Ministry of Economic Development, Head 105 for various projects had been retained idle in 11 Divisional Secretariats for a period nearly 06 months.

- (d) Eight Provincial Roads Carpeting Projects valued at Rs.294,090,247 carried out by State Engineering Corporation under the Roads Carpeting Projects during the year under review had remained continued as at 31 December 2014. No action had been taken thereon even by 31 May 2015.
- (e) Even though provisions of Rs.2,000,000 had been given to the Divisional Secretariat, Rattota on 27 May 2014 under the Gamaneguma Programme for providing water facilities to the new lands given to the public who were living in the areas affected by the landslide disaster, entire provisions had been saved as the non – implementation of that project.
- (f) The land had not been vested by the Government in which the Kalogahaela weekly fair situated and developed by the Divisional Secretariat, Dambulla by spending Rs.1,000,000 in the year 2014 under the Decentralized provisions. But, the weekly fair developed had not been utilized.
- (g) Development works of the Welangolla Playground constructed by the Divisional Secretariat, Dambulla by spending Rs.1,550,000 without a proper transferring to the Government during the year under review had not been completed satisfactorily and as such the playground could not be utilized.
- (h) The provisions of Rs.2,092,253 made available by 03 Ministries and 01 Department to the District Secretariat, Matale and 02 Divisional Secretariats during the year under review to implement 07 projects had been saved due to non – utilization for the intended purposes.
- (i) Provisions of Rs.7,031,431 made available by one Ministry and 02 Departments under 05 Objects to the District Secretariat during the year 2014, had been incurred exceeding Rs.323,831. The Objects accounted for additional spending amount could not be identified. Further, the action also had not been taken to reimburse the additional expenditure from the relevant Ministry and the Departments.

3.3 **General Deposit Account**

Action in terms of Financial Regulation 571 had not been taken on 68 deposits older than 2 years (except Land Deposits) totalling Rs.3,598,556.

3.4 **Reconciliation Statement of the Advances to Public Officers Account**

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account, Item Number 25901.

- (a) According to the Reconciliation Statement presented to audit the balances that remained outstanding as at that date totalled Rs.726,306. Even though those outstanding balances remained over periods ranging from 01 year to 13 years, the follow – up action on the recovery of the outstanding balances had been at a weak level.
- (b) The District Secretariat had granted loans amounting to Rs.130,300 without following provision to be followed in granting loans.
- (c) In terms of the Paragraph 1 of the National Budget Circular No.118 dated 11 October 2004, the loan balances should have been settled within 03 months after a station transfer of an officer. As action had not been taken accordingly, 03 loan balances amounting to Rs.184,760 remained outstanding for a period ranging from 06 months to 08 months had been included in the Reconciliation Statement.

3.5 **Assets Management**

The following deficiencies were observed during the course of audit test checks of the assets of the District Secretariat and Divisional Secretariat.

(a) **Idle and Under - utilized Assets**

The Rice Processing Centre of Bathgampola constructed in the Divisional Secretariat Division, Wilgamuwa at an expenditure of Rs.1,673,219 in the year 2010 could not be leased out to a private entrepreneur even by 31 December 2014 due to the decisions taken in several instances. The building, “Kamatha”, water

tank constructed for that project and 02 machineries purchased for production of rice had remained idle and faced to a risk of decaying and as such the entire expenditure incurred for the project had become a fruitless expenditure.

(b) **Unsettled Liabilities**

The unsettled liabilities of the Ministry remained less than one year as at 31 December 2014 amounted to Rs.1,421,010. The liabilities relating to 2 Objects totalling Rs.52,533 had not been shown in the Appropriation Account.

3.6 Non-compliances

Non – compliance with Tax Requirements

Payment of Value Added Tax

The Reports relating to the Value Added Tax amounting to Rs.157,058 paid in 26 instances of 06 Divisional Secretariats had not been informed to the Commissioner General of Inland Revenue with a copy to the Auditor General before 15th day of the month following of the payments made contrary to the Guideline 5.4.12 of the Government Procurement Guidelines.

3.7 Implementation of Projects under Domestic Financing

Instances of projects abandoned without commencing and the delays in the execution of projects revealed during the course of audit test checks are given below.

(a) **Projects abandoned without Commencing**

Seven projects expected to be carried out by the Divisional Secretariats, Pallepola and Ukuwela at an expenditure totalling Rs.2,500,000 had been abandoned without commencing.

(b) **Delays in Execution of Projects**

Provisions of Rs.2,000,000 had been made by the Divisional Secretariat, Badulla for the constructions of Rural Child and Maternity Clinic Centre, Inamaluwa under the “Palath Neguma Programme”. Bills amounting to Rs.1,477,149 had been submitted by the contractor to the office thereon. It was observed at the site inspection that the item of works from No.17 to No.25 of the specifications had not been completed and the building had not been handed over even by 09 April 2015 though the building should be completed and handed over on 10 January 2015 as per the agreement. Further, action also had not been taken by the office to recover liquidated damages relating to the work not completed as per the agreement.

(c) **Projects without Progress Despite the Release of Money**

Even though the relevant full amount or part relating to the constructions had been released to the Ceylon Electricity Board, National Water Supply and Drainage Board and another Department, instances were shown without proper progress.

- (i) Even though a sum of Rs.617,824 had been paid by Divisional Secretariat, Ukuwela to Ceylon Electricity Board to supply electricity extensions under 02 projects in December 2014, those connections had not been supplied even by June 2015.
- (ii) It was decided to develop Galaudahenagama and Brandigala areas in the Divisional Secretariat, Ukuwela as tourist zones under “Palath Neguma Programme” and a sum of Rs.5,000,000 had been estimated therefore. A total sum of Rs.1,311,652 had been paid to Department of National Botanical Gardens, and another external parties for preliminary botanical works and other works respectively as at 31 December 2014. But no design work whatsoever had been commenced even by June 2015.

- (iii) A sum of Rs.1,957,201 had been paid by the Divisional Secretariat, Matale to National Water Supply and Drainage Board on 10 October 2014 and 12 December 2014 to commence a Drinking Water Project in the Madawala, Ulpatha area of Matale. The work of that project had not been completed even by June 2015.

3.8 Performance

According to the Annual Budget Estimate and the Action Plan 2014 the observations relating to the progress of the District Secretariat are given below.

(a) Activities contrary to Key Functions

Without complying objectives of the programme of “Conservation of Scrub Jungle and Forest” commenced in the year 2014 with the prime objective of minimizing and preventing damages taking place to the public from Wildlife, the Divisional Secretariats of Dambulla and Galewela had made provisions of Rs.9,500,000 to construct 2 wild life offices and 2 hostels in Thalkote and Pibidunugama respectively and a sum of Rs.1,773,215 had been incurred thereon as at 31 December 2014.

(b) Key Functions not executed Adequately

Key Functions of the District Secretariat had not been executed adequately and several such instances observed are given below.

- (i) Provisions of Rs.10,000,000 had been made for construction of a new building for Divisional Secretariat, Rattota in the year 2014 and the building had been constructed by incurring a sum of Rs.8,744,186 out of that. But the building had not been utilized even by July 2015.

- (ii) One thousand four hundred woven hats had been purchased by incurring a sum of Rs.910,000 from National Craft Council for supply of hats to farmers and estate workers for covering from sunlight and rain which had been implemented by the office of the Divisional Secretariat, Ukuwela under “Palath Neguma Programme” in the year 2014. Without distributing them among beneficiaries, those had been dumped unsecuredly in the office premises.
- (iii) Sixteen Drums (Gatabera) had been purchased by spending a sum of Rs.95,600 to distribute among schools in the year 2014. But action had not been taken to distribute them among the schools properly. At the site inspection carried out in June 2015 it was observed that 11 drums valued at Rs.65,725 had been destroyed by rats.

(c) **Planning**

The following observations are made.

- (i) The agriculture unit of the District Secretariat had not implemented the “Fruit Village Programme” which had been planned in the year 2014.
- (ii) Even though it was planned to construct 500 stores for Big Onions in the year under review, 357 stores out of that had not been constructed.

3.9 Irregular Transactions

Certain transactions entered into by the District Secretariat had been devoid of regularity. Several such instances observed are given below.

- (a) Provisions of Rs.1,000,000 had been made by the Divisional Secretariat, Wilgamuwa for laying gravel on the Road from Karawgahapola to Bogahawewa. Despite no evidence made available relating to the gravel had been laid, a sum of Rs.574,142 had been paid to the contractor for this work.

- (b) Even though the work for laying bitumen on the Sigiriya Pollaththawa Road could not be given under direct contract system to a community based organisation for a provision of Rs.5,000,000 under the Development Scheme of 2014, the contract had been divided into 3 stages and given to a one farmer organisation during the period from 04 June 2014 to 25 July 2014. The work had not been executed by inviting bids and under the supervision of an Engineer in terms of the instructions of Guideline 3.9.1 of the Government Procurement Guidelines and the Public Finance Circular No.452 dated 27 September 2011.

3.10 Losses and Damage

The losses totalling Rs.689,486 had incurred from 05 accidents in the year 2014. But action had not been taken either to recover the loss from the responsible party or to write off from the books in terms of Financial Regulations even by 31 December 2014.

3.11 Uneconomic Transactions

Provisions of Rs.6,000,000 had been made to construct a playground in Elkaduwa City of the Divisional Secretariat, Ukuwela. Due to selection of a tea cultivated fertile land belonging to a Estate Company to construct this playground a compensation of Rs.900,000 had to be paid to the Estate Company. Even though a sum of Rs.2,606,284 had been incurred for this project as at 19 December 2014, the constructions of the playground had been abandoned by June 2015. Further, the insurance cover of the contractor had also been released by 09 June 2015.

3.12 Management Inefficiencies

Even though a period of 05 years to 30 years had elapsed for the activities of acquiring of lands in 44 instances for the Government Development Activities by the Divisional Secretariats, Matale, Pallepola, Ukuwela, Dambulla and Naula, those activities of vesting of lands had not been completed even by 31 December 2014.

3.13 Human Resource Management
Approved Cadre and Actual Cadre

The position of the cadre of the District Secretariat and the 11 Divisional Secretariats as at 31 December 2013 had been as follows.

| | Category of Employees | Approved Cadre | Actual Cadre | Number of Vacancies |
|-------|------------------------------|-----------------------|---------------------|----------------------------|
| | ----- | ----- | ----- | ----- |
| (i) | Senior Level | 41 | 25 | 16 |
| (ii) | Tertiary Level | 34 | 23 | 11 |
| (iii) | Secondary Level | 890 | 804 | 86 |
| (iv) | Primary Level | 118 | 111 | 07 |
| | | ----- | ----- | ---- |
| | Total | 1,083 | 963 | 120 |
| | | ===== | ==== | == |

The following observations are made.

- (i) Action had not been taken by the District Secretariat to fill 120 vacancies remained as at the end of the year under review.
- (ii) There were 37 vacancies in 09 posts in the Divisional Secretariats in difficult areas such as, Wilgamuwa, Laggala and Pallegama of the Matale District due to non-implementation of a proper policy for station transfers in the District Secretariat.

(b) Irregular Release of Human Resources to other Parties

Despite 18 vacancies for the Development Officer Posts assigned from the Ministry of Economic Development had been in the Divisional Secretariats, Laggala, Pallegama, one officer had been released to Ministry of Parliamentary Affairs from 01 August 2013, and her salaries had been reimbursed by the Ministry of Parliamentary Affairs from that date.