

**Report of the Auditor General on Head 275, District Secretariat, Polonnaruwa
Year - 2014**

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

1. Divisional Secretariats under the District Secretariat

- (a) Thamankaduwa
- (b) Hingurakgoda
- (c) Medirigiriya
- (d) Lankapura
- (e) Dimbulagala
- (f) Welikanda
- (g) Elahera

1:2 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Polonnaruwa 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 21 August 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.

1:3 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.453.26 million out of which, a sum of Rs.442.58 million had been utilized by the end of the year under review. Accordingly, savings from the net provision amounted to Rs.10.68 million or 2.36 per cent. Details are as follows.

Expenditure	As at 31 December 2014			
	Net Provision	Utilization	Savings	Savings, as a Percentage of Net Provision
	Rs. millions	Rs. millions	Rs. millions	
Recurrent	367.36	357.47	9.89	2.69
Capital	85.90	85.11	0.79	0.92
Total	453.26	442.58	10.68	2.36

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

Provision amounting to Rs.1,549.17 million and Rs.601.71 million respectively totalling Rs.2,150.88 million had been made available by 23 other ministries and 17 Departments for various activities. Of this, a sum of Rs.1,483.72 million and a sum of Rs.578.60 million totalling Rs.2,062.32 million had been utilized. Accordingly, the savings out of the provision amounted to Rs.65.41 million and Rs.23.11 million totalling Rs.88.52 million.

2.2 Advances Account

2.2.1 Advances to Public Officers Advance Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the District Secretariat and the actual amounts are given below.

Item Number	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
27501	27.00	19.40	15.00	15.83	106.00	79.80

2.3 General Deposit Account

The balances of Deposit Account of the District Secretariat as at 31 December 2014 amounted to Rs.252,185,292.

2.5 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 Polonaruwa District Secretariat have been prepared satisfactorily. The material and important observations out of the observations included in the Management Audit Report appear in paragraph 3.

3. Head 275 – Polonnaruwa District Secretariat

3.1 Non – maintenance of Registers and Books

The following registers had not been maintained by the District Secretariat and 7 Divisional Secretariats and the General Deposit Ledger of the District Secretariat had not been updated in terms of Financial Regulation 565(1).

	Office	Type of Register	Related Regulation
(i)	Welikanda, Dimbulagala, Lankapura, Hingurakgoda, Elahera and Medirigiriya Divisional Secretariats	Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
(ii)	Lankapura, Hingurakgoda, Elahera and Medirigiriya Divisional Secretariats	Register of fixed assets relating to computers, accessories and software	Treasury Circular No.IAI/2002/02 of 28 November 2002
(iii)	Thamankaduwa, Lankapura and Elahera Divisional Secretariats	Register of Audit queries	Financial Regulation 452(1)
(iv)	Medirigiriya Divisional Secretariat	Register of Cheques and Money Orders	Financial Regulation 451
(v)	Welikanda, Dimbulagala, Elehera, Hingurakgoda, Medirigiriya, Lankapura and Thamankaduwa Divisional Secretariats	Register of Security Bonds	Financial Regulation 891(1)
(vi)	All Divisional Secretariats	Register of Telephone calls	Appendix 29 of Financial Regulation 850(1)
(vii)	Thamankaduwa, Dimbulagala, Lankapura, Higurakgoda, Elahera,	Register of Electricity Equipment	Financial Regulation 454(2)

Medirigiriya and Welikanda
Divisional Secretariats

- (viii) Thamankaduwa, Welikanda, Register of Losses Financial Regulation 110
Dimbulagala, Lankapura,
Hingurakgoda, Elahera and
Medirigiriya Divisional
Secretariats
- (ix) District Secretariat and all Register of Liabilities Financial Regulation 214
Divisional Secretariats
- (x) All Divisional Secretariats Register of Listing Vehicles Financial Regulation
1647(e)
- (xi) Thamankaduwa, Dimbulagala, Registers of Attendance Guideline 2.11.2 of the
Lankapura, Hingurakgoda, relating to Procurement and Government Procurement
Elahera and Medirigiriya Technical Evaluation Procedures.
Divisional Secretariats Committees
- (xii) Lankapura, Hingurakgoda, Register calling for Guideline 5.2.1 of the
Elahera, Medirigiriya, quotations Government Procurement
Thamankaduwa and Dimbulagala Procedures.
Divisional Secretariats

3.2 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs.30,000 made for one Object had been saved.
- (b) Excess provision had been made for 10 Objects and as such the savings, after the utilization of provision, ranged between 9 per cent to 74 per cent of the net provision relating to the respective Objects.

3.3 General Deposit Account

The following observations are made.

- (a) According to the Reconciliation Statements furnished, the balance of the General Deposit Account of the District Secretariat as at 31 December 2014 amounted to Rs.157,903,222. The balances totalled Rs.157,948,171 as per individual balances report as at that date. Accordingly, the difference amounted to Rs.44,949.
- (b) Action had not been taken in terms of Financial Regulation 571 with regard to the deposit balances of the District Secretariat and 4 Divisional Secretariats totalling Rs.57,440,444 and Rs.402,155 respectively which were existing for over 2 years as at 31 December 2014. Out of the lapsed deposits of the District Secretariat, the deposits amounting to Rs.57,246,042 were deposits of a State Corporation.

3.4 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks carried out with regard to the Reconciliation Statement of Items No.27501 – Advances to Public Officers Account as at 31 December 2014.

- (a) According to the Reconciliation Statement presented to audit, the balances recoverable as at that date totalled Rs.2,210,130 and the District Secretariat had failed to recover those loan balances although they were existing for a period of 01 to 14 years.
- (b) The loan balance of Rs.254,645 due from a deceased officer remained unsettled for over 10 years had not been recovered in terms of Sub-section 4.2.5 of Chapter xxiv of the Establishments Code.
- (c) Five loan balances amounting to Rs.290,405 which remained as arrears throughout a period of 1 to 8 years had been settled during the year under review. However, the interest due thereon during the period of arrears had not been recovered.

3.5 Assets Management

The following deficiencies were observed during the course of audit test checks of 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 or Underutilized	
		Over 01 year less than 03 years	Over 3 years
		Units	Units
(i) Buildings	02	-	02
(ii) Motor Vehicles	10	01	09
(iii) Machinery	23	22	01
(iv) Other assets – Bicycles (Women)	01	-	01
(v) Economic Development – Official Name Board	35	35	-
(vi) White Board	25	25	-

(b) Conduct of Annual Board of Survey

According to the Public Finance Circular No.02/2014 of 17 October 2014, the Annual Board of Survey for the year 2014 should be conducted and the report furnished to audit before 17 March 2015. However, the District Secretariat and 5 Divisional Secretariats had furnished them for audit after a delay ranging from 02 to 120 days.

(c) Assets given to External Parties

The following observations were made with regard to assets given to external parties.

- (i) The Thamankaduwa Divisional Secretariat had given 0.1548 hectares of land valued at Rs.2 million to the Department of Buildings for over one year.

- (ii) Many years had passed since the offering of 110 water tanks with a capacity of 1000 litres by the Hingurakgoda Divisional Secretariat to various organizations and institutions on a returnable basis. However, the Divisional Secretariat had not taken action either to get those water tanks back or to take follow up action.

3.6 Non-compliances

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Section 25.1 of Chapter 203 of the Motor Traffic Act and Public Finance Circular No.PF/437 of 18 September 2009	-	Revenue Licence and insurance coverage had not been obtained for the vehicle used by the Elahera Divisional Secretariat.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka		

Section 1.2 of Chapter xii	-	Leave applications should be received at the office of the officer allowing leave at least 7 days before the commencement of leave. However, 17 officers of the Thamankaduwa Divisional Secretariat had obtained 187 days of

leave without furnishing leave applications on form General 125.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i)	Financial Regulation 115	11,816	Polannaruwa District Secretariat had not taken action in terms of the Financial Regulation for payments made on behalf of previous year.
(ii)	Financial Regulation 225(4)	-	Instances were observed where officers who had prepared the vouchers and who had checked the correctness of paid vouchers had not signed in the respective places.
(iii)	Financial Regulation 237(a)(iii)	2,213,442	Polannaruwa District Secretariat had released the retention money without obtaining a certificate from the Technical Officer stating that the work had been satisfactorily done and the norms and conditions had been fulfilled.
(v)	Financial Regulation 371	1,779,500	Advances given to officers of the Dimbulagala Divisional Secretariat on 19 instances for various purposes had been settled after a delay of 2 to 7 months.

(vi)	Financial Regulations 880(1) and 881(1)	-	Action had not been taken to obtain security deposits from officers who are the required to furnish security deposits at the Medirigiriya Divisional Secretariat.
(vii)	Financial Regulation 702(3)	-	None of the copies of agreements of projects executed in the district had been furnished to the Auditor General.
(d)	Government Procurement Procedures		
(i)	Guideline 2.14.1	-	Dimbulagala Divisional Secretariat had called for quotations for 5 procurements. One quotation for each procurement had been received and decision had been taken to award supply of procurement based on it. Evidence to show that quotation had been sent to bidders by registered post, under the price reconciliation procedure had not been furnished to audit.
(ii)	Guideline 5.4.4	3,500,000	Security bonds for paying advances had not been obtained while paying advances for contracts entered into by the Polonnaruwa District Secretariat.

- (iii) Guideline 6.3.3(b) - Though it was required to open quotations in the presence of bidders or their representatives as soon as possible, after closing quotations, action had not been taken to inform the bidders of opening the quotations. `

3.7 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

The project estimated at Rs.100,000 for constructing a small bridge across the road close to the residence of Mr. Gallella Samad under the Palath Neguma Programme by the Thamankaduwa Divisional Secretariat had not been executed in the year 2014 due to adverse weather conditions.

(b) Projects abandoned without completing

A sum of Rs.30,800,535 had been estimated to implement the Deepa Uyana Development Project by the District Secretariat under the Wildlife and Forest Conservation Programme during the year 2014. The approval of the Commissioner of Archaeology had not been obtained for this project. As such, the project concerned had been abandoned. The government had spent Rs.1,350,418 on this project.

(c) Projects without Progress despite the release of Money

It was observed that although provision had been made, progress could not be achieved in the following projects.

- (i) The Welikanda Divisional Secretariat had paid R.50,000 for constructing the Kadawathmaduwa Panchaseeli Elders' Community Centre under the 2014 Decentralized Programme. But, the particular land for constructing the Community Centre concerned had not been obtained even by end of the year under review.
- (ii) The Welikanda Divisional Secretariat had granted material aid amounting to Rs.210,000 to a Buddhist centre under the Decentralized programme of 2014. No construction had been done from those aid even by end of the year under review.
- (iii) The Lankapura Divisional Secretariat had granted material aid amounting to Rs.72,750 to construct a community centre for the Al Hafiha Organization under the Decentralized Budget Special Project. A particular land had not been obtained for constructing such a community centre even by end of the year under review.

3.8 Irregular Transactions

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

- (i) Elahera and Hingurkoda Divisional Secretariats had not taken action to register suppliers for procurement of items of lesser value. Similarly, the register of registered suppliers of the District Secretariat or telephone directory had not been utilized for those items.

- (ii) Although necessary equipment had been purchased for the Maternity Clinic centre of the Hingurakgoda Divisional Secretariat, the assistance of the Technical Evaluation Committee had not been obtained for this purpose.
- (iii) It was observed that while selling the stock of paddy purchased from farmers during the Maha Season 2012/2013, the Polonnaruwa District Secretariat had done it without the intervention of the Secretary to the Ministry of Internal Trade, contravening the matters referred to in the Cabinet Memorandum No.13/0198/540/004 dated 12 February 2013.
- (iv) Accepted procurement procedures had not been followed while selling the stock of the 2012/2013 Maha Season belonging to the District Secretariat in terms of Paragraph 6.3 of the Cabinet Memorandum dated 17 July 2013. The entire stock of 7,941,149 kilogrammes of paddy belonging to the District Secretariat had been sold for Rs.250,192,608 based on the price quoted on the fax paper sent to the District Secretary by a private company of the Polonnaruwa District on 23 July 2013.

(b) Money paid for Seed Paddy

Provision had been obtained under the Object 243-110-2502-2 for making payments for the seed paddy for the year 2014. This provision had been utilized to make payments to the parties concerned by cheques. It was observed that signatures to confirm the receipt of cheques and the National Identity card numbers of recipients to confirm their identity were absent.

(c) Issue of Cheques

The subject clerk who was in charge of the subject of drawing and issuing of cheques at the Medrigiriya Divisional Secretariat had produced 56 cheques in her possession for audit. All these 56 cheques were blank cheques and the Accountant

had not taken action to issue them. The internal control procedure relating to issue of cheques at the Medirigiriya Divisional Secretariat had become weak.

3.9 Losses and Damages

The following observations are made.

- (a) The loss caused to the cab belonging to the Lankapura Divisional Secretariat due to an accident caused on 26 June 2014 amounted to Rs.187,750. A sum of Rs.115,621 had been obtained from the insurance firm with regard to this accident. The balance sum of Rs.72,123 had not been recovered from the parties concerned even by 31 December 2014.
- (b) A cab belonging to the Dimbulagala Divisional Secretariat had met with an accident on 25 July 2010. According to the report of the board of investigation which investigated the matter, a sum of Rs.230,000 was recoverable from the former Divisional Secretariat who was responsible for the accident, The Divisional Secretariat had not recovered that loss even by 31 December 2014. The cab concerned remained parked at the Dimbulgala Secretariat car park for 5 years, that is, even by July 2015, without being repaired.
- (c) Although a period of 1 to 4 years had elapsed since the accident caused to 7 vehicles of the District Secretariat and Divisional Secretariats, the inquires relating to those accidents had not been completed even by 18 June 2015.
- (d) A Toshiba Laptop issued to the former Divisional Secretary of the Dimbulagala Divisional Secretariat for official duties had been stolen at the official residence itself. Preliminary report and a full report had not been obtained in terms of Financial Regulation 104 in this connection.

3.10 Management Weaknesses

The following observations are made.

- (a) One thousand two hundred and sixty six Award Letters signed by the President had been received to be issued among farmers who are engaged in cultivation activities in the authority areas of crown lands of 5 Divisional Secretariats of the Polonnaruwa District. The land branches of those Divisional Secretariats had retained them for many years without being issued them to the farmers concerned.
- (b) One hundred and twenty out of 625 Award Letters remaining without been issued to farmers at the Hingurakgoda Divisional Secretariats had been registered at the Land Registry.
- (c) Name, signature and date of parties who had taken over the Award Letters at the Medirigiriya Divisional Secretariat had not been entered in the Register of Award Letters. As a result, it could not be confirmed whether the persons concerned had actually received the Award Letters.
- (d) Eight officers serving at the Medirigiriya Divisional Secretariat had not obtained leave during the year under review as per register of leave and it was revealed that most of those officers were field officers. Accordingly, it was revealed in audit that the control over attendance and obtaining leave by officers at the Divisional Secretariat was weak.
- (e) Material aid valued at Rs.49,265 had been obtained to complete the work relating to the Lankapura Service Centre Building under the 2014 Decentralized Provision at the Divisional Secretariat, Lankapura. Those materials remained stored at the office without being issued for the said purpose.
- (f) All government quarters should be graded in terms of Section 3 of Chapter xix of the Establishments Code. However, the Elahera Divisional Secretariat had not

graded the government quarters as required. Two officers had been occupying those quarters for over 5 years without extending the period of lease.

- (g) There were 05 Samurdhi Bank Associations within the authority area of the Dimbulagala Divisional Secretariat and there were 7,835 dormant bank accounts in those Associations as at 31 December 2014 amounted to Rs.4,861,227.
- (h) The lease period of all other unscheduled government quarters had been limited to 05 years. However, it was revealed that 08 officers had occupied government quarters belonging to the Polonnaruwa District Secretariat exceeding the said period.
- (i) Reconstruction of the Aluthwewa Divulapitiya Flood Control Protection wall belonged to a project of the scope of irrigation work. The work had been carried out under the estimate and supervision of a Civil Technical Officer without the instructions, guidance and supervision of an Engineer or a Technical Officer of the Department of Irrigation. But, the project had not been executed with proper standards.

3.11 Human Resources Management

Approved Cadre and the Actual Cadre

The position of cadre as at 31 December 2014 appears below.

Category of Employee	Approved Cadre	Actual Cadre	No.of Vacancies
(i) Senior Level	29	21	08
(ii) Tertiary Level	39	14	25
(iii) Secondary Level	618	510	108
(iv) Primary Level	94	89	05
Total	780	634	146