

Report of the Auditor General on Head 274–District Secretariat, Anuradhapura Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 274–District Secretariat, Anuradhapura for the year ended 31 December 2015 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 11 November 2016. 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.856.10 million and out of that Rs.826.97 million had been utilized by the end of the year under review. Accordingly, the savings out of total net provision for the District Secretariat amounted to Rs.29.13 million or 3.40 per cent of the total net provision. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	776.10	773.74	2.36	0.30
Capital	80.00	53.23	26.77	33.46
Total	856.10	826.97	29.13	3.40

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

Provisions totalling Rs.2,579.81 million had been made available by 14 other Ministries and 15 Departments to the District Secretariat for various activities and out of that a sum of Rs.2,248.81 million had been utilized by the end of the year under review. Accordingly, the savings out of the provisions made available amounted to Rs.331.00 million or 12.83 per cent of the provisions.

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No.27401 of the District Secretariat and the actual amounts are given below.

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
56.50	54.30	42.00	48.96	225.00	168.38

2.3 Imprest Account

The balance of the Imprest Account under the District Secretariat as at 31 December 2015 totalled Rs.210,872.

2.4 General Deposit Accounts

The balances of the 06 Deposit Accounts of the District Secretariat and 22 Divisional Secretariats under the District Secretariat as at 31 December 2015 totalled to Rs.800.72 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
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	Rs. Millions
6000/0000/00/0017/0021/000	12.01
6000/0000/00/0002/0120/000	0.20
6000/0000/00/0001/0090/000	0.75
6000/0000/00/0013/0080/000	41.53
6000/0000/00/0016/0069/000	458.52
6000/0000/00/0019/0018/000	0.31
6000/0000/00/0011/0601/000	287.40
Total	<u>800.72</u>

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statement of the District Secretariat, Anuradhapura for the year ended 31 December 2015 have been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report appear in paragraph 3 of this Report.

3. Material and Significant Audit Observations

3.1 Non – maintenance of Registers and Books

The District Secretariat had not maintained the Register of Fixed Assets on Computers, Accessories and Software in terms of the Treasury Circular No.IAI/2002/02 of 28 November 2002 whilst the Register of Fixed Assets had not been updated in terms of the Treasury Circular No.842 of 19 December 1978.

3.2 Replies to Audit Queries

Replies to 04 Audit Queries issued during the year under review and 02 Audit Queries issued in the preceding years to the District Secretariat had not been furnished even by 15 June 2015. The value of quantifiable transactions relating to those audit queries amounted to Rs.48,429,693.

3.3 Imprest Accounts

The balances of the unsettled imprest account of the District Secretariat as at 30 April 2016 totalled Rs.210,872. That represented a balance existing from the year 2010.

3.4 General Deposit Account

Action in terms of the Financial Regulation 571 had not been taken on the lapsed deposits totalling Rs.299.77 million older than 2 years.

3.5 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of the audit test checks of the Reconciliation Statement as at 31 December 2015 of the Advances to Public Officers Account Item No.27401.

- (a) According to the Reconciliation Statement presented to Audit, the balances that remained over periods ranging from 01 year to 08 years as at 31 December 2015 due to the reasons such as transfers, interdictions, retirement, etc. totalled Rs.3,765,196. The follow up action on the recovery of those outstanding balances had been at a weak level.
- (b) Even though the maximum distress loan that can be granted to an officer, in terms of the Public Administration Circular No.30/2008 dated 31 December 2008 is Rs.250,000, the distress loan balance of an officer as at 31 December 2015 amounted to Rs.289,675 due to the payment of distress loans exceeding that limit.

3.6 Assets Management

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

(a) Idle and Underutilised Assets

It was observed during the course of the physical audit checks that the assets classified below had been idling in the District Secretariat premises.

Category of Assets	Period of Underutilisation
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(i) Old buildings including vehicle garages	Closed down over a long period without approval
(ii) Two Electricity Generators	Remain inoperative over a long period.
(iii) Two Motor Vehicles	Taken off from running over a long period.

(b) Assets given to External Parties

The following observation are made.

- (i) Several officers of the North Central Provincial Council are occupying 18 houses belonging to the District Secretariat. But, action had not been initiated either to transfer those houses to the Provincial Council or to recover possession of the houses. In addition, action had not been taken for the recovery of house rent.

- (ii) The Thissawewa Residential Enterprises Management Institute maintained from the year 2004 in a building belonging to the District Secretariat situated in Anuradhapura Old Town and rent had not been recovered since that year.

3.8 Non – compliances

(a) Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Statutory Provisions		

Land Development (Amendment) Act, No.27 of 1981 – Section 8	-	Action had not been taken to identify and register the reserved lands in the Divisions of the Divisional Secretariats.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 371 (5)	583,425	Advances granted to 24 officers of the District Secretariat in 38 instances had been settled after delays.
(iii) Financial Regulation 396 (d)	16,469,255	Action in terms of the Financial Regulation had not

			been on the cheque issued from 17 Bank Current Accounts but not presented for payment and lapsed.
(c)	Public Administration Circulars ----- Paragraph 2.1.1 of Circular No.41/90 of 10 October 1990.	-	Test checks revealed that the fuel consumption of 07 pool motor vehicles of 07 Divisional Secretariats had not been tested.
(d)	Circular of the Land Commissioner General ----- Paragraph 1.3.3 of the Circular No.2008/4 dated 20 August 2008 of the Land Commissioner General	-	The Register of Landless Persons of the Division of the District Secretariat, Tirappane had not been updated.
(e)	Letters of the Secretary to the Ministry of Public Administration and Home Affairs -----		
(i)	Letter No.HAF-2/19/MGTCM/15/1907 of 31 March 2011	21,728	Allowances had been overpaid to an officer in Grade III of the Administrative Service who functioned as the Divisional Secretary, Galnewa for the performance of duties in the Post of Divisional Secretary Rajanganaya.
(ii)	Paragraph 02 of the above letter	-	An officer in Grade III of the Administrative Service who performed the duties of the Divisional Secretary Rajanganaya had obtained 1,440 litres of fuel in 04 months of the year 2014 and 03 months of the year 2015 without the approval of the District Secretary. That included 344 litres in excess of the fuel required for running.

- (iii) Paragraph 12.1 of Circular No.HAF-3- 1,760,315
CIRCUIT General 025 of February 2013
(undated)
- The Caretaker of the Circuit Bungalow, Anuradhapura had issued bills in 27 instances for the supply of cooked and other food in a year 2015 to persons who had not occupied the Circuit Bungalow.

3.8 Implementation of Projects from Local Financing

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

(a) Projects abandoned without commencing

Eighteen projects relating to 10 Divisional Secretariats, of estimated costs amounting to Rs.11,591,928 which should have been implemented in the year under review, had been abandoned without commencing due to persisting rains and the failure of the contractor to commencing the work.

(a) Projects abandoned without completion

The following observations are made.

(i) A sum of Rs.8,896,069 had been spent on 28 sundry projects of 08 Divisional Secretariats with an estimated value of Rs.22,829,231. Those projects had been abandoned due to persisting rains and the stoppage of project work.

(ii) Provision of Rs.10 million had been made for the construction project of the weekly fair at Rajangana Junction under the Door to Door Village to Village Development Programme 2014 and a contract agreement for a sum of Rs.9.9 million had been entered into for that project. The construction work had not been done under the supervision of the Divisional Secretary and the District Engineer as a proper feasibility study thereon had not been done and without obtaining the concurrence of the Rajangana Pradeshiya Sabha. In view of these reason the project had been abandoned halfway and the expected objectives of that had not been achieved.

(e) Delays in the Execution of Projects

Even though the following projects had been implemented and their date of completion had elapsed, those had not been completed even by 31 December 2015.

Project	Estimated Cost	Date Commenced	Due Date of Completion	Expenditure as at 31 December 2015	Reasons for Delay
	Rs.Millions			Rs.Millions	
(i) Seven projects on construction of Buildings of 07 Divisional Secretariats implemented by the District Secretariat.	54.5	September, November 2015	December 2015	20.4	Construction work started at the end of the year could not be completed due to persisting rains.
(ii) Forty Eight sundry projects retailed to 08 Divisional Secretariats	50.5	October 2015	December 2015	25.2	As at (i) above.

(d) **Projects without progress despite release of money**

A sum of Rs.18,128,075 had been spent on the Aswaya Bendiwewa Drinking Water project of the Division of the Divisional Secretariat, Galenbidunuwewa commenced in the year 2009. Water could not be supplied from that project to the people of the area even by March 2016 due to the reasons such as the failure to select the contractor according to the provisions in the Government Procurement Guidelines and the carelessness of the officers supervising the project.

(e) **Release of Money before the Supply of Good and Services**

A sum of Rs.4,116,100 had been paid to a supplier on 31 December 2015 for the supply of agriculture equipment and fruit seedlings for the Fruit Village Project implemented by the Ministry of Agriculture in the year 2015 in 08 Divisions of the District Secretariat of the Anuradhapura District. The agriculture equipment

and the fruit seedlings relating to a sum of Rs.1,432,220 out of that money had not been supplied even by 25 February 2016.

(f) Non-receipts of Project Benefits by the People

The following observations are made.

- (i) The estimates for the construction of 30 fish stalls in the weekly fair, Anuradhapura had been prepared, and the contract amounting to Rs.5,927,222 for its first step had been awarded. Nevertheless, contrary to the approved plan, the engineering standards and specification, 08 ordinary trade stalls had been constructed instead of fish stalls and a sum of Rs.4,477,042 had been paid for that to the contractor on 31 December 2015. In view of the construction of ordinary trade stalls contrary to the primary objective, and as those trade stalls remaining idle without being used, the community using weekly fair had not received the relevant benefits.
- (ii) Purchase of 43 sewing machines, 13 bicycles, 91 fishing boats and equipment, 360 water pumps, 89,209 agri-implements, 86 sets of sports equipment and 5,921 sets of other self employment accessories had been made at a cost of Rs.59,338,821 for the implementation of Livehood Development Projects under the provisions of the Ministry of Economic Development in 11 Divisions of Divisional Secretariats. Those goods and equipment had not been distributed among the relevant beneficiaries by 15 June 2015.

(g) Accounting for Mobilisation Advances as Expenditure

A sum of Rs.1,260,910 had been paid on 05 October 2015 as the mobilisation advance for the commencement of construction work of the second stage of the Horowpothana Divisional Secretariat Building. Such advance paid had been brought to account as expenditure.

3.9 Performance

The following observations are made in connection with the performance of the District Secretariat.

- (a) A sum of Rs.117,319,173 had been spent on 17,889 projects from the year 2007 to the year 2011 under the Livelihood Development Programme on the basis of

recovery of 50 per cent from the beneficiaries. Out of that expenditure, a further sum of Rs.12,694,413 had remained recoverable even by 30 June 2016.

- (b) Even though 3,898 Land Grants signed by the President had been sent to the Divisional Secretariats for the grant of the State lands situated in 22 Divisional Secretariats to the persons occupying or cultivation of such lands, action had not been taken for the distributor of the land grants to the respective beneficiaries despite the elapse of periods ranging from 03 years to 21 years.
- (c) As the Department of Surveyor General had not prepared the graphs required for the preparation of the land grants for the State Lands in the Division of the Galnawa Divisional Secretariat, the grants for 1,327 blocks of lands had been delayed from the year 2008 to the year 2014.

3.10 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

According to the Bank Reconciliation as at the end of December 2015 prepared by the District Secretariat cheques issued but not presented to the Bank for payment and lapsed amounted to Rs.16.47 million. Action on those cheques in terms of the Financial Regulation 396(d) had not been taken even by 31 December 2015.

3.11 Irregular Transactions

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

(a) Deviation from the Government Procurement Procedure

The following observations are made.

- (i) Goods and equipment valued at Rs.12,627,574 had been purchased from the provisions of the Ministry of Women and Child Affairs for the Widows Encouragement Programme by inviting limited quotation without taking action in terms of the Guideline 2.14.1 of the Government Procurement Guidelines. Even though there were 16 to 31 suppliers registered for each of the items, quotation had been invited from only 09 suppliers.

- (ii) Instead of appointing one officer from an institution outside the procurement entity to the Technical Evaluation Committee in accordance with the Guideline 2.8.4 of the Government Procurement Guidelines, 10 construction projects valued at Rs.69,096,906 had been implemented in the year 2015 on the recommendation of a Technical Evaluation Committee comprising three officers of the Divisional Secretariat.
- (iii) Action had not been taken to obtain competitive quotations for the selection of a lessees for the running of the canteen in the premises of the District Secretariat, Anuradhapura for the year 2015/2016. One particular person had been running the canteen over a long period without paying an adequate lease rent.
- (iv) The contractor for the Aswaya Bendiwewa Water Project in the Division of the Galenbidunuwewa Divisional Secretariat implemented from the year 2009 to the year 2012 for Rs.18,126,075 under the provision from the Jathika Saviya Gama Neguma Programme had been split in to 09 parts and awarded to 12 Samurdhi Villages without taking action for inviting competitive quotation in terms of the Guideline 2.14.1 of the Government Procurement Guidelines.

(b) Transactions without Authority

Even though the Procurement Committee of a Ministry or a Department can approve the execution of works only up to Rs.20 Million under the limited quotations, the contract valued at Rs.20,175,717 for the construction of a Day Care Centre of the Anuradhapura District from the provisions of the Ministry of Women and Child Affairs had been awarded under the limited quotations by the Procurement Committee of the District Secretariat Anuradhapura.

3.12 Losses and Damage

The following observations are made.

- (a) A sum of Rs.24,331 had been paid as the penalty for delays in the settlement of water bills from January 2013 to October 2015 of the Circuit Bungalow of the Ministry of Home Affairs situated at Anuradhapura.
- (b) A sum of Rs.4,330,272 had been spent for carrying out repairs to damage caused by accidents to 03 Motor Vehicles belonging to the District Secretariat. The District Secretariat had incurred a loss of Rs.392,428 as only a sum of Rs.3,964,844 had been received as insurance indemnity.

3.13 Uneconomic Transactions

Out of the 19,700 fruit seedlings purchased at a cost of Rs.2,880,000 under the Fruit Villages Project implemented in the year 2015 in 08 Divisions of Divisional Secretariats in the Anuradhapura District and issued to the beneficiaries , 7,492 seedlings valued at Rs.934,580 had perished.

3.14 Management Weaknesses

Action had not been taken for the recovery of Liquidated damages from 15 projects valued at Rs.15,204,259 implemented in the year 2015 in the Division of the Galnewa Divisional Secretariat for which extension of time had not been granted for delays.

3.15 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	93	78	15	-
(ii) Tertiary Level	76	40	36	-
(iii) Secondary Level	1,992	1,639	353	-
(iv) Primary Level	219	199	16	04
(v) Others (Casual/ Temporary/ Contract Basis)	2	2	0	-
Total	<u>2,382</u>	<u>1,958</u>	<u>420</u>	<u>04</u>