

Report of the Auditor General on Head 276 District Secretariat, Badulla – Year 2015

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Badulla, Head 276, for the year ended 31 December 2015 was carried out 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 05 July 2016. 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.

1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and the 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 of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Finance and Administrative Regulations. This responsibility includes the planning, 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 Provisions and Expenditure

The total net provision made for the District Secretariat, Badulla amounted to Rs. 735.55 Million and out of that a sum of Rs. 710.76 Million had been utilized by the end of the year under review. Accordingly, the net savings of the District Secretariat amounted to Rs. 24.79 Million or 3.37 per cent. Details are given below.

Expenditure	As at 31 December 2015			Saving as a percentage of total Net Provision
	Net Provision	Utilization	Savings	
	Rs Millions	Rs Millions	Rs Millions	
Recurrent	617.55	612.98	4.57	0.74
Capital	118.00	97.78	20.22	17.14
Total	735.55	710.76	24.79	3.37

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

Provision totalling Rs. 2,103.34 Mn had been made to the District Secretariat from 24 Ministries and 17 Departments for various purposes. Out of this a sum of Rs. Mn 1,979.74 Mn had been utilized by the end of the year under review. Accordingly provisions of Rs..123.60 Mn or 5.88 per cent had been saved out of the provisions made.

2.2 Advance Accounts

2.2.1 Advances to Public Officers' Account

Limits authorized by Parliament

Limits authorized by Parliament for Advances to Public Officer's Account under item No: 27601 relevant to the District Secretariat, Badulla and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
45.73	39.81	33.73	39.23	156.00	129.97

2.3 Imprest Account

The balance of imprest account No 7002/0000/00/0315/0015/000 of the District Secretariat, Badulla as at 31 December, 2015 was Rs 104.81 Million.

2.4 General Deposit Account

The total of the balances of the 06 General Deposit Accounts of the District Secretariat, Badulla as at 31 December 2015 amounted to Rs. 469.23 Million. Details are given below:

Deposit Account Number	Balance as at 31 December 2015
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	Rs.Millions
6000/0000/00/0001/0058/000	0.72
6000/0000/00/0002/0076/000	0.23
6000/0000/00/0013/0047/000	38.47
6000/0000/00/0016/0028/000	307.33
6000/0000/00/0017/0007/000	121.78
6000/0000/00/0018/0035/000	0.70

Total	469.23
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2.5 Audit Observation

The Appropriation Account and the Reconciliation Statement of the District Secretariat, Badulla for the year ending 31 December, 2015, have been prepared satisfactorily, subject to the observations of the management audit report shown in paragraph 1.1 above. Out of the audit observations included in that management audit report, material and significant audit observations are shown in paragraph 3.

3. Material and significant audit observations

3.1 Appropriation account

3.1.1 Budgetary variance

Due to over provisioning for 04 objects, the balance after the utilization of provisions ranged from 14 to 30 percent of the net provisions relevant to those objects.

3.1.2 Provisions given by other Ministries and Departments

Audit observations revealed at audit test checks carried out in respect of the utilization of provisions given by Ministries and Departments for various purposes are given below.

(a) Ministry of Economic Development

The under mentioned deficiencies were observed at audit test checks done in respect of the utilization of provisions given by the Ministry of Economic Development for various purposes:

- (i) In the preparation of estimates in respect of 44 development projects implemented in the year 2015 in 07 Divisional Secretariats, correct rates and quantities had been used according to HSR. As such, a sum of Rs.2,508,343 had been overpaid to the contractors due to incorrect calculations and inclusion of false costs.
- (ii) An overpayment of Rs.2,508,343 had been made due to payments being made for 04 development projects in 04 Divisional Secretariats based on false measurements and work not done.
- (iii) Even though the concrete in 05 concrete roads with a finished work value of Rs.4,632,819 in 03 Divisional Secretariats did not indicate even the minimum level according to the concrete strength measurement device, a sum of Rs.1,420,544 had been paid for the relevant concrete constructions.
- (iv) Even though an overpayment of Rs.41,280 had been made by the Divisional Secretariat, Haldummulla in respect of 14 projects, this overpayment had not been recovered even by 19 August 2016.
- (v) The Divisional Secretariat, Ridimaliyadde had made an over payment of Rs.157,422 for work not done in the implementation of projects in the year 2014. No action had been taken to recover this amount from the officers responsible even at the end of the year under review.
- (vi) In respect of 07 building constructions with an estimated value of Rs.16,317,942 implemented in the year 2014 by the Divisional Secretariat, Haputale, no action had been taken to recover in terms of the circular provisions of the National Building Research Organization in that behalf.

(b) State Ministry of Child Affairs

The following matters were observed at an audit test check done in respect of the programme for providing a nutritious basket of food valued at Rs.20,000 to pregnant mothers implemented by the State Ministry of Child Affairs:

- (i) The Divisional Secretariats of Badulla, Mahiyangana and Soranotota had obtained food items from suppliers selected by the divisional procurement committee before obtaining the decision of the district procurement committee.

- (ii) An over payment of a sum of Rs.630,854 had been made to suppliers for 2,308 coupons for which food items had been supplied by the Divisional Secretariats of Badulla and Mahiyangana without obtaining bills.
- (iii) The Divisional Secretariats of Badulla, Welimada and Uva Paranagama had provided food items not fit for consumption in lieu of the recommended food items.
- (iv) The divisional procurement committee of the Divisional Secretariat, Soranatota had given approval for the suppliers who had submitted bids in excess of the rates stated in the government gazette extraordinary No 1906/47 dated 19 March 2015. Accordingly, an over payment of Rs.208,088 had been made to the respective suppliers.
- (v) An over payment of Rs.162,019 had been made to the relevant suppliers by the Divisional Secretariats of Welimada and Uva Paranagama due to charging of prices higher than the prices stated in the procurement decision.

(c) Samurdhi Authority of Sri Lanka

The under mentioned deficiencies were observed at audit test checks carried out in respect of the utilization of provisions given by the Samurdhi Authority of Sri Lanka:

- (i) Out of the loans given by 13 Samurdhi banking unions and 03 community based banks coming under the Divisional Secretariats of Banadarawela, Uva Paranagama, Ella, Badulla and Soranatota from 2007 to the year 2013 for livelihood development projects, a sum of Rs.3,806,722 had not been recovered from 1263 beneficiaries.
- (ii) Out of the Rataviru housing loans given in the year 2014 by the Divineguma Community Based Bank, Kendagolla coming under the Divisional Secretariat of Badulla, a sum of Rs.573,660 had not been recovered, being the loans recoverable from 07 beneficiaries who had not continuously paid 09 installments as at 30 October 2015.

3.2 General Deposit Account

No action had been taken in accordance with Financial Regulation 571 in respect of deposits totaling Rs.196,727,221 exceeding 2 years as at 31 December 2015.

3.3 Reconciliation Statement on Advances to Public Officers Account

According to the Reconciliation Statement submitted for audit as at 31 December 2015 in respect of item No 27601, of the Advances to Public Officers Account, the total of the outstanding balances due to be recovered as at that date amounted to Rs.5,969,182. These outstanding balances had not been recovered even after a lapse ranging for a period from 01 year to 22 years.

3.4 Assets Management

The under mentioned deficiencies were observed at audit test checks done in respect of the assets of the District Secretariat:

(a) Idle and under utilized assets

The following observations are made:

- (i) Even though the project for the supply of potable water through the Wewatta temple well started in the year 2014 had been completed on 15 June 2015 after incurring an expenditure of Rs.1,908,808, beneficiaries had not been provided with potable water even by 03 December 2015.
- (ii) Seven vehicles belonging to the District Secretariat were lying idle in the office premises without being repaired, ranging for a period from 09 months to 07 years.

(b) Conducting the Annual Board of Survey

No action had been taken in accordance with the recommendations of the board of survey 2014 in respect of two motor bicycles belonging to the Divisional Secretariat, Mahiyangana.

3.5.1 Non compliances

----- Non-compliance with Laws, Rules and Regulations -----

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

Reference to Rules, Regulations etc.	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 104 (4)	3,056,306	The final report should have been submitted before the lapse of 3 months from the date of the loss. However, in respect of 13 cases of loss no such action had been taken. In most final reports the signatures of the respective authorities had not been attested by official seals.
(b) Public Administration Circulars		

Letter No EST/TRAVEL7/06/3030 dated 29 June 2014 of the Secretary, Ministry of Public Administration and	228,021	Combined allowances had been obtained for acting in the post of Accountant in the District Secretariat,

3.6 Implementation of projects through domestic financing

The under mentioned deficiencies were observed at audit test checks carried out in respect of the abandonment of projects without completion and delays in the execution of projects:

(a) Abandonment of projects without commencement

Even though the under mentioned projects had to be commenced during the year under review, these projects had been abandoned without being commenced even at the end of the year.

Project	Estimated cost	Reasons for non commencement
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	Rs.	
(i) Provision of potable water to the part of Kuruwigolla Batawatta by the Divisional Secretariat, Lunugala	200,000	The project failed due to the drying up of catchment areas during periods of drought.
(ii) Repair of kovil in the Sarnia Codland division by the Divisional Secretariat, Soranatota	499,767	Authority not being given when the approval was requested from the Ministry to develop the project after the estimate
(iii) Development work in the 04 th division of Spring Valley by the Divisional Secretariat, Hali Ela		Lack of sufficient time to complete the work due to heavy rain.
(iv) Construction of a kovil in the lower division of Poonagala by the Divisional Secretariat, Haldummulla	499,860	Heavy rain and insufficient time to complete the work.

(b) Abandonment of projects without completion

 The District Secretariat had started a project on 15 December 2013 for an estimated value of Rs.66,466,296 for the construction of an underground vehicle park in the Senanayake grounds, Badulla, for the establishment of a park above it and for the preservation of the existing park. Even though a payment of Rs. 25,000,000 had been made to the Urban Development Authority for this project, this project had not been completed. even by 31 December 2015.

(c) Delays in the execution of projects

In the execution of the under mentioned projects, delays on the part of the District Secretariat were observed:

Project	Estimated cost	Date of commencement	Date due to be completed	Expenditure as at 31.12.2015	Reasons for delay
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	Rs.			Rs.	
Divisional Secretariat, Ridimaliyadda -----					
Construction of a stores for the Sangabopura Farmers Organization	980,000	09.10.2015	25.12.2015	796,591	Heavy rain
Construction of the Community hall Welampala	980,000	28.09.2015	28.12.2015	566,355	Heavy rain
Construction of the pre school center, Aralupitiya	980,000	18.09.2015	28.12.2015	196,000	Heavy rain insufficient man power for the contracting Society
School water project programme for the prevention of kidney diseases	8,368,200	21.07.2015	28.12.2015	5,251,641	Absence of procurement decisions
Divisional Secretariat, Mahiyangana -----					
Construction of the Community hall, Moraketiya	980,000	02.09.2015	15.12.2015	574,855	Heavy rain

School water project programme for the prevention of kidney diseases	16,852,000	21.07.2015	28.12.2015	7,846,458	Absence of procurement decisions
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Divisional Secretariat, Uva Paranagama

Development of the road up to Goda Mukalana through Meda Mukalana, Wethalawa by constructing culverts	980,000	26.08.2015	26.11.2015	211,942	Heavy rain
Construction of the community hall building and the Seva Piyasa	980,000	21.10.2015	30.11.2015	745,040	Heavy rain
Implementation of the water project of B/Thuppitiya School	519,000	02.12.2015	23.12.2015	134,752	Heavy rain

3.8 Irregular transactions

Deviation from the Government Procurement Guidelines

In obtaining office equipment valued at Rs.39,900 and dhamma school equipment valued at Rs.142,200, action had not been taken by the Divisional Secretariat, Bandarawela in accordance with guideline 5.6.1 of the Procurement Guidelines of 2006

3.9 Human Resource Management

Approved cadre and actual cadre

The position of the cadre as at 31 December 2015 is as shown below:

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	53	38	15
(ii) Tertiary Level	44	22	22
(iii) Secondary Level	1099	988	111
(iv) Primary Level	139	137	02
Total	1355	1185	150

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Even though there had been 150 vacancies by the end of the year under review, and even though the provisions made according to the appropriation account prepared for the year 2015 had been saved unutilized, the existence of vacancies in the cadre had not affected such savings. Accordingly, it was observed in audit that the approved cadre had been over estimated.