

Head 258 - Report of the Auditor General of the District Secretariat, Kandy – Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to audit by the District Secretariat, Kandy. The financial and physical performance reflected from the account and the reconciliation statement were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer and the Accounting Officer

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the District Secretariat, Kandy – Head 258 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the District Secretary on 30 July 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the District Secretariat, Kandy for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.3 to 2.15 of this report. It was observed that the Accounting Officer had satisfactorily discharged his accountability as to ensure the adequacy of the financial control, subjected to the audit observations summarized in the under mentioned table revealed in execution of provisions of Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph included Observation	
-----	-----	-----	
Financial Regulation	1. Non-preparation of Action Plan properly.	2.3.1	

128(1)(a)	<p>The work of his Department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized and that an endeavour is made, to complete the programme of work laid down for the year and/ or to attain the targets specified.</p>	<p>2. Non-execution of activities included in the Action Plan.</p> <p>3. Failure to plan procurement activities properly.</p> <p>4. Non-preparation of realistic budget estimates</p>	<p>2.3.2</p> <p>2.4.1(a) and (b)</p> <p>2.10(a)</p>
128 (1)(c)	<p>The Financial Regulations and other Supplementary instructions of the Government are adhered to in his Department and that they are supplemented by Departmental instructions where necessary.</p>	<p>1. Delays in issuing and settling of Ad-hoc sub imprests.</p> <p>2. Deficiencies in Deposit Account.</p> <p>3. Non-compliances</p>	<p>2.12</p> <p>2.13</p> <p>2.14</p>

128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and where they are disposed of such disposal is according to prescribed Regulations and instructions.	Idle and Under-utilized Assets	2.5
128(1)(h)	Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their money.	Failure to recover outstanding loan balances in the Advances to Public Officers Account.	2.11
128 (1)(i)	The activities of his Department are under taken with due regard to economy, efficiency, propriety and integrity expected in the transaction of public business.	<ol style="list-style-type: none"> 1. Deficiencies in implementation of procurement process. 2. Irregular Transactions 3. Management Weaknesses 4. Deficiencies in utilization of provisions made available by the Ministries and Departments. 	<p>2.4.2</p> <p>2.6</p> <p>2.9</p> <p>2.10</p>
128 (1)(o)	<p>The procedure laid down in Financial Regulations 103 to 108 is adhered to in case of losses to Government by the delays, negligences, faults or frauds on the part of officers/ employees and surcharges are imposed on officers/ employees responsible for such losses in terms of FR 156(1)</p> <p>(Adhere adequate provisions for the responsibility will be his special role of duty.)</p>	Transactions in the nature of financial irregularities	2.7

2. Material and Significant Audit Observations

2.1 Key Activities of the District Secretariat

- (a) District Administration.
- (b) Statutory Functions
- (c) Strengthening of Internal Control
- (d) Religious and Ethics Development
- (e) Staff Welfare
- (f) Coordination and Friendly Administration
- (g) Development of Programmes and Gama Neguma
- (h) Non-Government Organizations and Community Participation
- (i) Co-ordination of Media
- (j) Development of Attitudes on Administration and Training
- (k) Utilization of Information Technology

2.2. Institutions under the District Secretariat and Activities to be carried out

Institutions established under the District Secretariat and the role of those institutions are given below.

	Institutions under the District Secretariat	Authority for the Establishment	Role of the Institution
i ii iii iv v vi vii viii ix x xi xii xiii xiv xv xvi xvii xviii xix xx	Divisional Secretariat, Ududumbara Divisional Secretariat, Deltota Divisional Secretariat, Pasbage Korale Divisional Secretariat, Yatinuwara Divisional Secretariat, Udapalatha Divisional Secretariat, Pathahewaheta Divisional Secretariat, Doluwa Divisional Secretariat, Minipe Divisional Secretariat, Udunuwara Divisional Secretariat, Ganga Ihala Korale Divisional Secretariat, Kundasale Divisional Secretariat, Pathadumbara Divisional Secretariat, Pujapitiya Divisional Secretariat, Akurana Divisional Secretariat, Gangawata Korale Divisional Secretariat, Thumpane Divisional Secretariat, Panwila Divisional Secretariat, Harispaththuwa Divisional Secretariat, Hatharaliyadda Divisional Secretariat, Medadumbara	Act No.58 of 1992 of the Establishment of the Divisional Secretariats.	1. Upgrade public welfare and development activities through co-ordination of all activities within the regulatory provisions by all line Ministries, Departments and Institutions. 2. Activities relating to the entire lands of the Division. 3. Execution of duties assigned by the, Ordinances and Acts of the Forest Conservation, Wild Life, Excise, Motor Traffic, Geological Mining, Irrigation, Elections and Department of Registration of Persons etc. 4. Operation of social development activities in the Division and execution of activities relating to disaster management. 5. Duties of Registration 6. Control and operation over the Government revenue and financing activities.

2.3 Performance

2.3.1 Planning

Even though, the District Secretariat had prepared an Action Plan on priority basis according to the annual budget relating to the year under review the plans which targeted Sustainable Development Objectives according to 2030 Agenda of United Nations had not been prepared.

2.3.2 Non-execution of Activities

Non-execution of Activities included in the Action Plan

According to the Annual Action Plan, 04 projects under the capital provisions should have been executed by the District Secretariat. Even though, only 03 projects out of that had been executed, the construction of Divisional Secretariat Building, Delthota for which provisions of Rs.27 million made had not been carried out. Instead, of that, the buildings of the Divisional Secretariats, Harispattuwa, Pathahewaheta and Pujapitiya had been constructed on the provisions of Rs.21.6 million.

2.4 Obtaining Supplies and Services through Procurement Process

The provisions of Rs.115.23 million had been made by the District Secretariat for the supplies and services according to the Government Procurement Guidelines and provisions of Rs.108.24 million had been utilized out of that. The observations on the procurement plans to be prepared in respect of the provisions made are given below.

2.4.1 Planning of Procurements

(a) Planning of Procurements and Preliminary Stage

The following observations are made.

- (i) The Procurement Plans for the year 2017 had been made by the District Secretariat and the Divisional Secretariats Delthota, Gangawata Korale and Yatinuwara in the year 2017 itself, deviating from the provisions of the Guideline 4.2.1 of the Government Procurement Guidelines. Similarly, action had not been taken to update the Master Procurement Plan within a period not more than 06 months.
- (ii) The due dates to commence and complete the each procurement activity in the Procurement Plan had not been specifically identified, and the items planned and the values as well had not been included.

(b) Pre-contract Stage

The following observations are made.

- (i) The Divisional Secretariats including the District Secretariat had not prepared the detailed Procurement Plan in terms of the Guideline 4.2.1 (c) of the Government Procurement Guidelines.

- (ii) A detailed Procurement Plan had not been prepared by the District Secretariat for consultancy services in respect of the contract of construction of Divisional Secretariat Building Udadumbara implemented in the year 2017.
- (iii) A Procurement Time Schedule for the projects under Stage 1 and Stage 2 had not been prepared by the District Secretariat in terms of Guideline 4.2.3 of the Government Procurement Guidelines.

2.4.2 Implementation of Procurement Process

The following observations are made.

- (a) Without being mentioned the respective categorization (buildings, roads, irrigation) as per the nature of the contractors, it was mentioned only, “only from the contractors who had valid registration of a value C-or more than that in the ICTAD/CIDA institutions,” in inviting bids by the District Secretariat and Divisional Secretariats, Delthota and Gangawata Korale.
- (b) In obtaining quotations of the suppliers, the Divisional Secretariats, Pasbage Korale and Udapalatha had mentioned that the quotations were obtained from the letters sent by ordinary posts. But in examining the postal register it was not confirmed that the letters of quotations had been sent to the suppliers by ordinary post.
- (c) In inviting bids for Stage iii, iv and v of the construction of Divisional Secretariat Building, Doluwa it was observed that all quotations of bids submitted were not arithmetically accurate. Further, the all corrected quotations of the Stage iii and iv had shown a higher value more than the bids submitted early and also exceeded the engineering estimate.
- (d) The contract of the construction of Divisional Secretariat, Doluwa had been awarded to the contractor who submitted lowest quotation with a consent to execute it as per the engineering estimate. But action had not been taken in terms of the Guidelines 7.9.2 (b), 8.1.1 and 8.2.1 of the Procurement Manual.
- (e) In terms of Guideline 3.4.1 of the Government Procurement Guidelines and the Paragraph 3.4(c) (iii) of the Procurement Manual, the registration of the contractor who had not responded for the bids more than 02 instances should have been eliminated in inviting bids from registered suppliers. Nevertheless, the District Secretariat and the Divisional Secretariat, Gangawata Korale had taken action deviating from that provision.
- (f) Six hundred and sixty contractors had registered in the District Secretariat for the contracts of buildings and roads. The District Secretariat and the Divisional Secretariat, Gangawata Korale had invited bids only from 28 and 16 contractors during the periods from January to September 2017 and January to December 2017 respectively.

Accordingly, 16 procurements of the District Secretariat had been dealt among 16 contractors and as such it was observed that the contracts were dealt among a small group.

2.5 Assets Management

The following observation is made during the course of audit test check on the assets of the District Secretariat.

Idle and Under-utilized Assets

Food Dehydrator Machine of the Vidatha Resource Centre maintained in the Divisional Secretariat, Yatinuwara had remained idle in a store outside the office divating the instructions given by the Audit and Management Committee.

2.6 Irregular Transactions

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

- (a) A quantity not exceeded 02 cubes could have been transported by a licence issued for removing sand, soil and gravel for the activities of non- commercial purposes. Nevertheless, the Divisional Secretariat, Delthota had issued a licence for transporting sand and soil exceeded the quantity of 02 cubes in 07 instances.
- (b) The cab vehicle of the Divisional Secretariat, Udapalatha had met with an accident on 25 May 2017 and the repairs had been done from a private institution at an estimate amounting to Rs.2.22 million while a sum of Rs.1.89 million had been reimbursed by the insurance company. Therefore, the full claim of the insurance coverage of Rs.6.1 million could not be obtained for the vehicle which was in a condition that could not be used. Further, in terms of the Guideline 2.14.1 of the Government Procurement Guidelines, the approval of the Chief Accounting Officer for the motor vehicle repairs exceeding Rs.200,000 had not been obtained. Despite, that the District Examiner of Motor Vehicles, Kandy had given recommendations as the chassis of the motor vehicle could not be repaired, the motor vehicle had been handed over for repairs. Even though, over one year had elapsed by May 2018 after the accident, the cab vehicle had not been repaired and handed over to the Divisional Secretariat. A final investigation report had not been submitted to the Auditor General up to now in terms of Financial Regulation 104(4).

- (c) The official motor vehicle of the Divisional Secretary, Ganga Ihala Korale had met with an accident on 11 June 2015. The estimate for repairs of it amounted to Rs.3.4 million. A sum of Rs.2.97 million had been received from the insurance company for this repair. The price gain had been received from the respective company without being made any request for the outstanding amount of Rs.430,166 payable further for repair. Further, the formal investigations had not been conducted and the responsible parties had not been determined in respect of the accidents whereas the approval of the Ministry for the repairs had not been received as well.

2.7 Transactions in the Nature of Financial Irregularities

The construction of the new building of the Divisional Secretariat, Doluwa had been carried out in 4 stages. Under contract item No.7-1 of stage 4 of that, a sum of Rs.1.6 million had been paid for laying tiles on the floor. At the physical examination carried out on 17 October 2017, it was observed that, the second quality of low standard tiles had been laid instead of first class tiles and a sum of Rs.91,423 had been over paid. Despite that, work items of 2.3., 6.5.8.1 and 10.1 under stage V had not been carried out, a sum of Rs.320,300 had been over paid thereon and a sum of Rs.50,960 had been overpaid for 3.64m² more than the amount executed for R.R.MASONARY WORK under item No.3.2 of stage V. The stage iv that should be completed as at 30 December 2016 in terms of the agreement had not been completed even by 17 October 2017. Accordingly, liquidated damages for delayed period of 259 dates as at that date amounting to Rs.435,120 had not been recovered.

2.8 Unresolved Audit Paragraphs

As the Divisional Secretary, Ganga Ihala Korale was responsible relating to the loss incurred amounting to Rs.360,435 due to a vehicle accident caused in the year 2008, the Committee on Public Accounts held on 23 February 2016 had directed on the Directive No.2 to recover the loss. Nevertheless, the loss amounting to Rs.360,435 had not been recovered even by 30 June 2018.

2.9 Management Weaknesses

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

- (a) When acquisition of lands in 11 instances in 03 Divisional Secretariats, there was a time delay ranging from 5 years to 45 years and as such the expected objectives were not executed.
- (b) When a pensioner had deceased, the Grama Niladhari should inform about the death immediately to the Divisional Secretariat. Nevertheless, the deaths of the pensioners in 02 instances in 2 Divisional Secretariats had been reported with a time delay ranging from 05 months to 15 months.

- (c) The unpaid pension payments should have been remitted to the Director General of Pensions after elapsed of one month in terms of the Pensions Circular No.2/2011 dated 14 June 2011. Nevertheless, the unpaid pensions amounting to Rs.1.2 million in 34 instances in 04 Divisional Secretariats had been remitted to the Director General of Pensions with a time delay ranging from 1 month to 22 months.
- (d) Eleven officers relating to 5 Divisional Secretariats had transferred after obtaining motor bicycles for the other posts of which not entitled for the motor bicycles. According to the letter No.BD/1/1/11/1/(පෙප)1/2007 dated 04 August 2017, the market value of the motor bicycles amounting to Rs.975,920 had not been recovered from them.

2.10 Utilisation of Provisions made by Parliament for Execution of Activities

The particulars relating to the provisions made to the District Secretariat, utilisation and savings during the 5 years period ended 31 December 2017 and the observations thereon are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
		Rs.Millions	Rs.Millions	Rs.Millions	
2013	Recurrent	922.39	922.39	-	-
	Capital	121.65	99.25	22.40	18.41
	Total	1,044.04	1,021.64	22.40	2.15
2014	Recurrent	823.47	820.38	3.09	0.37
	Capital	103.10	103.00	0.10	0.10
	Total	926.57	923.38	3.19	0.34
2015	Recurrent	1,066.98	1,066.79	0.19	0.02
	Capital	81.00	77.97	3.03	3.74
	Total	1,147.98	1,144.76	3.22	0.28
2016	Recurrent	1,132.00	1,118.42	13.58	1.20
	Capital	99.00	98.32	0.68	0.69
	Total	1,231.00	1,216.74	14.26	1.16
2017	Recurrent	1,159.15	1,103.51	55.64	4.80
	Capital	114.00	106.92	7.08	6.21
	Total	1,273.15	1,210.43	62.72	4.93

The following observations are made in respect of the year under review.

2.10.1 Provisions made without considering the Time Frame proposed for Execution of Activities

The required total provision had been made by the District Secretariat according to the total cost estimate for the execution of activities of the buildings and constructions. Nevertheless, after execution of activities in respect of feasibility studies and procurement process, it was not possible to utilize the total provisions by the end of the year under review. As such the provisions of Rs.7 million or 8 per cent out of the total provisions had been saved.

2.10.2 Utilisation of Provisions made available by Other Ministries and Departments

The provisions totalling Rs.3,800.34 million comprising Rs.3,334.09 million and Rs.466.25 million had been made available by other 30 Ministries and 17 Departments respectively for various purposes. Out of that, a sum totalling Rs.3,669.86 million had been utilized by the end of the year under review. Accordingly, provisions of Rs.130.48 million or 3.43 per cent out of the provisions made available had been saved. The following deficiencies were revealed during the course of audit test check in this regard.

- (a) Even though, the provisions of Rs.4,124.88 million had been allocated under various Ministries and Departments during the year 2017, a sum of Rs.324.54 million had been returned without any written request from those Ministries and Departments during the year. Out of that, a sum of Rs.119.99 million had been the returns of capital provisions.
- (b) The Department of Registration of Persons had provided a stock of stationery and computers and accessories to the Divisional Secretariats, Kundasale and Akurana for the Implementation of the e – NIC Programme in September 2014. However, action had not been taken by the Department of Registration of Persons to implement it. As such the equipment provided had remained idle and the stationery had remained decaying.
- (c) The Divisional Secretariat, Gangawata Korale had constructed the bridge which connected Weligiriya Community Hall Haputale, Kadulla and Weligiriya Village from the provisions of Rs.196,534 received under Rural Infrastructure Development Programme and on the financial contribution of Rs.130,000 received from the people of the area. It was observed that, the benefits had been provided by this project for a limited number of persons living in 4 houses. Despite, that there was an another bridge very close to this constructed bridge, the opportunity to deploy money for another development activity was deprived due to construction of this bridge.
- (d) The project of construction of drainage system from near the Kovil of the main road up to the house No.172 of the Shanthi Mawatha had been implemented by the Divisional Secretariat, Kundasale by incurring a sum totalling Rs.355,308 comprising Rs.317,181 and Rs.38,127 in the year 2016 under the grants from the Rural Infrastructure

Development Programme and the Provincial Council Members grants respectively. It was observed at the physical examination carried out in this connection, that the bottom of the drain and the places of retaining walls connected to the drain had faced to washed away due to the rain water. A sum of Rs.7,533 had been over paid for soil cut of 9.14 M³ at the rate of Rs.900 per cubic metre and a sum of Rs.31,720 had been over paid in concreting by 1.2.4 (3/4") mixture under Item No.03 of Stage i and Item No.02 of Stage ii as that height, width and thickness had remained without the estimated standard for which should be.

- (e) Even though, action should be taken to establish and register the Children's Societies in the Department of Probation and Child Care Services as to cover every Grama Niladhari Division, the Children's Societies had only been established in 122 divisions out of the 285 Grama Niladhari Divisions in 5 Divisional Secretariats.
- (f) Under Provincial Specific Development Programme, the construction of the bridge which connected two villages of Canal 31 Kapuwatta and Gangewatta (Rubber Watta) had been implemented by the Divisional Secretariat, Minipe. As the bridge was collapsed due to the lapses, the objectives of the project were not executed even by 10 August 2017.
- (g) The project of construction of elephant electric fence of Waragolla Gurulu potha had been implemented by the Divisional Secretariat, Minipe under the provisions of the Ministry of Economic Development. Even though, 10 metres from the fence of the each side of the jungle should have been cleared, it was observed that, only 5 metres of the both sides of the jungle had been cleared. While a sum of Rs.529,931 had been overpaid thereon.
- (h) A sum of Rs.412,510 had been paid for 10 metres to clear the jungle for the project of construction of Canal 7 Welgala to construct the elephant fence in medium level. It was observed that the jungle had been cleared only for 5 metres instead of 10 metres for each side at the physical examination carried out. Accordingly, a sum of Rs.206,251 had been over paid for 9.14 acres at the rate of Rs.22,560 per acre and a sum of Rs.171,046 had been overpaid for 9.14 acres of which the jungle had not been cleared at the rate of Rs.18,714 to clear the jungle by utilizing machineries. As the elephants had broken the fence and entered into the villages even after constructing the electric fence, the expected objective from the project had not been achieved.
- (i) Action had been taken to construct a wall of 4.7 meter height in the section with very much slope down of the land on which situated the Denuwara Thripitaka Dharmayatanya on the provisions of Rs.3.8 million of the Ministry of Disaster Management and to mitigate the risk of the earth slips. However, the project had become unsuccessful due to not taking action for tighten of loose soil of the upper section of the hill and action taken to construct only a small wall in the foot section of the hill.

- (j) Despite, that there is an old drainage system constructed under the project of mitigation of floods in the Nawalapitiya Town on the provisions of the Ministry of Disaster Management in the year 2016, the estimates had been prepared for construction of drainage system newly for 02 Stages as II and III on the provisions of Rs.20 million and invited limited quotations for Stage II. The contract had been awarded for Rs.6.30 million and an expenditure of Rs.10.78 million had been incurred. Without a due feasibility study and a supervision and without considering the weather conditions the estimates had been prepared with a poor planning. As the water access gate of the drainage made by the project had been small, the water line was not directly connected to the drainage system. It was failed to avoid inundation of the road and surrounding area in rainy days, due to failure of control the floods. Therefore, the money spent by the Government for this project amounting to Rs.10.78 million had become fruitless expenditure. Similarly, a building of the temple had to be removed and the damage had caused to other buildings in implementation of this project and as such a new building had to be constructed for a sum of Rs.1.47 million. Further, in addition to the contract sum an additional expenditure amounting to Rs.2.81 million had to be incurred by the Government. It was observed that, if hume pipes had been utilized even for balance 7 meters of the drainage instead of using concrete the Government money could have been saved.
- (k) Action had been taken by the Divisional Secretariat, Gangawata Korale to mitigate floods in the Gurudeniya Section. to save from disaster risk of 05 families by incurring Rs.520,198 under the project of mitigate disaster risk of Kandy District It was observed that due to this project, the disasters had occurred to other 2 families and as such the objective of the project could not be achieved. Further, the standard height of the drainage constructed by this project should have been 1'9" and thickness of the side wall should have been 4". At the physical examination carried out on 20 November 2017 it was observed that the height had remained as 1'7", 1'6" and 1'9" and the thickness of the wall had remained as 3'5", 3'4". Accordingly, sums of Rs.10,889 and Rs.41,034 had been over paid for concreting and for dismantling and removing of concrete without steel bars respectively.
- (l) The Disaster Management Centre had provided a sum of Rs.32.50 million to the Disaster Management Division of the District Secretariat, Kandy in the years 2014 and 2015 for the project to mitigate the flood conditions of the Akurana Town in the Kandy District. The observations revealed during the course of audit examination in this regard are given below.

I. Deviation from the Procurement Guidelines

The instances of deviation from the provisions of the Government Procurement Guidelines are given below.

- (i) The full particulars with transparency in respect of the procurements of which estimated value amounting to Rs.26.21 million had not been included in the bid documents. Further, the contract had been awarded to a contractor who had not fulfilled the

qualifications of the Construction Industries Development Authority which is the minimum grade requirement should be fulfilled. according to the provisions of the Procurement Guidelines.

- (ii) The total cost estimate had not been prepared in compliance with the Guideline 4.3.1.
- (iii) The bid securities which had not covered adequate period had been obtained deviating from the Guideline 5.3.10
- (iv) The payments had been made to the contractor without obtaining the tax invoices deviating from the provisions of the Guidelines 5.4.11 and 5.4.12. The details of payments of Value Added Tax had not been informed to the Commissioner General of Inland Revenue with a copy to the Auditor General and as such a tax amount of Rs.281,205 had been less paid by the contractor to the Department of Inland Revenue in the respective payments made.
- (v) The activity of the publication of contract awarded had not been executed in terms of the Guideline 8.10.1.
- (vi) A sum of Rs.495,000 had been paid to prepare the reports of the feasibility studies without inviting any bid, deviating from the provisions of the Procurement Guidelines.
- (vii) The unusual decrease remained in the prices submitted by the bidders than the estimated amount for the work items of cutting, removing and transporting of sediment and the very unusual discrepancies remained in the prices for above two works submitted by the each bidder had not been identified. The Technical Evaluation Committee had not analysed the prices with a technological basis. Accordingly, the Technical Evaluation Committee had not executed the responsibility stated in the Guideline 2.6 of the Government Procurement Guidelines.

II. Deviation from the Provisions of the Respective Acts

Instances of deviation from the provisions of the respective Acts are given below.

- (i) The contracts had not been registered under the Registrar of Contracts in terms of the General Contract Act No.3 of 1987.
- (ii) The mining of 17,116 meter cubes of soil/ sediment had been done and transported deviating from the Mines and Mineral Act No.33 of 1992 and the amendments thereto.

III. Weaknesses in Preparing of Estimates

The estimates had not been prepared on the basis of standard rates for 2 items of work of soil cutting and transporting which represented 80 per cent of work of total estimate relating to the project. As such the unusual excess estimates had been prepared for a sum of Rs.16.58 million approximately.

IV. Lack of Evidence for Audit

The accuracy of the amount of cubes of sediment cut and removed and transported could not be correctly confirmed in audit due to the reasons such as non- availability of a report in the files relating to the measurement of length, width and height of the tippers which transported sediment/ soil, non availability of the records for respective measurement sheets of the Works Supervisor which examined and certified by the responsible officer timely, any officer in the Disaster Management Center and Engineering Section. was not aware relating to the places where unloading sediment/soil.

V. Management Weaknesses

The following management weaknesses were observed.

- (i) A contract with estimated value amounting to Rs.26.21 million should have been completed on 14 November 2015 according to the contractual agreement, the work of the contract had not been completed even by 29 February 2016. According to the agreement liquidated damages at the rate of Rs.4,700 per day had not been recovered.
- (ii) As non-execution of the activity entirely to remove unauthorized constructions in the narrow places and to widen the narrow places, deepen by 1.25 meters, and non- removing of sediment adequately from 25,000 cubic meters to 30,000 cubic meters and a methodology to remove the sand not implemented even by 31 August 2018, though the sand retaining walls had been constructed in suitable places, the expected objectives from this project had not been executed adequately.

VI. Over payments

The following matters were observed.

- (i) As a higher price than the prices as per the standard rates had been estimated for two work items of cutting soil/ sediment and for removing and transporting, a sum of Rs.15.57 million had been over paid according to the details computed in audit.
- (ii) Payments had been made by stating fraudelantly that the sediment/ soil had been transported by a tipper and false capacity than the standard capacity of the tipper vehicle had been mentioned and as such a sum of Rs.2.62 million had been over paid to the contractor for 04 tippers
- (iii) The value of the procurement amounted to Rs.6.74 million but the contractual value of the procurement had been Rs.4.85 million. Even though an agreement had been entered into for removing and transporting 3,000 cubic meters of sediment, the payments had been made for 4,416.76 cubic meters. As such over

payments had been made for 1,416.76 cubic meters. Therefore the agreed amount had been exceeded by 34 per cent.

- (m) The provisions had been made by the Ministry of Tourism, and Christian Religious Affairs to construct a lavatory system with 4 cabins in the Gadaladeniya Temple. The contract had been awarded at a sum of Rs.2.42 million to a contractor without obtaining the performance bond. After laying the foundation of the lavatory system, the contractor had abandoned the construction. According to the Guideline 8.11 of the Government Procurement Guidelines, the contract should not be awarded to the defaulting contractors, the Divisional Secretary Udunuwara had signed the agreements with above contractor again on 30 October 2017 for a sum of Rs.2.65 million. At the physical examination carried out on 22 December 2017, it was observed that the concrete mixture laid for the outer verandha and the floor of the lavatory was not satisfactory.
- (n) Under the provisions of the Department of Land Use Policies and Planning the Divisional Secretariat Gangawata Korale, a sum of Rs.193,000 had incurred to remove sediment of Nithhawela Pond on 25 October 2017. Even though the expected objective of this project was to protect water source and to utilize that water for farming, the plans had not been prepared to avoid depositing sediment and waste in the pond arriving from the upper side with water. At the physical examination it was observed that the soil about 207.52 m³ had deposited within a short period of two months and also observed that the water source will be destroyed as depositing sediment and waste regularly in to the pond due to the implementation of this project.

2.11 Advances to Public Officers' Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers' Account of the District Secretariat, Item No. 258011 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
75.00	74.51	60.00	65.14	250.00	205.52

The following observation is made in this connection.

Non-recovery of outstanding Loan balances

According to the Reconciliation Statement presented to audit the balances of the officers interdicted, and vacated of posts, that remained outstanding as at the date totalled Rs.849,482 and those outstanding balances remained for a period ranging from 01 year to 14 years.

2.12 Imprest Account

Even though, the adhoc sub – imprest granted should have been settled within 10 days after completion of the purpose in terms of Financial Regulation 371(5) as amended by the Public Finance Circular No.03/2015 dated 14 July 2015, the ad-hoc sub imprests totalling Rs.785,012 granted in 44 instances had been settled with a delay ranging from ½ a month to 6 months after completion of the purpose.

2.13 General Deposit Accounts

The balances of the 06 General Deposits Accounts under the District Secretariat as at 31 December 2017 totalled Rs.293.81 million. Action in terms of Financial Regulation 571 had not been taken on deposits older than 2 years (except land deposits) totalling Rs.1.42 million in 07 Divisional Secretariats.

2.14 Non-compliances

2.14.1 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations

Non compliance

Establishments Code of the Democratic Socialist
Republic of Sri Lanka

Chapter XVI

(i) Section 1.3.1

Railway warrants had been issued by the Divisional Secretariat, Udapalatha for 02 officers in 04 instances on behalf of persons who were not entitled railway warrants as family members.

(ii) Section 1.3.4

The Divisional Secretariat, Udapalatha had issued Railway warrants for the officers without obtaining adequate confirmation on dependents in 3 instances.

2.14.2 Recovery of Taxes on Contracts

The Value Added Tax on the work done should be paid to VAT registered contractors after obtaining tax invoice in terms of the Guideline 5.4.11 of the Government Procurement Guidelines. Nevertheless, the payments had been made without obtaining the invoices from contractors in payments made for stage iii, iv, v of the construction of Divisional Secretariat Building, Doluwa.

2.15 Human Resources Management

----- Approved Cadre, Actual Cadre and Expenditure for Personal Emoluments -----

The particulars of approved and actual cadre and the vacancies as at 31 December 2017 to execute functions mentioned in paragraph 2.1 above are given below. The District Secretariat had incurred a sum of Rs.994 million for Personal Emoluments Expenditure Category for the year under review. Accordingly the expenditure per person amounted to Rs.292,167.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	111	87	24
(ii)	Tertiary Level	59	32	27
(iii)	Secondary Level	3,454	3,104	350
(iv)	Primary Level	228	178	50
	Total	3,852	3,401	451
		=====	=====	=====

The following observation is made in this connection.

The District Secretariat had not taken action to fill 451 vacancies as at the end of the year under review existed since for a period of 04 years including 09 vacancies of the staff in the Divisional Secretariat Minipe.