

**Report of the Auditor General on Head 264 –District Secretariat/Kachcheri Jaffna –
Year 2014**

Paragraph 1 and 2 of this report contain the general information on the Accounts of the District Secretariat/Kachcheri, Jaffna and the audit observation appears in paragraph 3 onwards.

1. Divisional Secretariats under the District Secretariat

- (a) Delft
- (b) Island South
- (c) Karainagar
- (d) Island North
- (e) Jaffna
- (f) Nallur
- (g) Valikamam South West
- (h) Valikamam West
- (i) Valikamam South
- (j) Valikamam North
- (k) Valikamam East
- (l) Thenmaradchy
- (m) Vadamaradchchy South West
- (n) Vadamaradchchy North
- (o) Vadamaradchchy East.

1.1 Scope of Audit

The audit of the Appropriation Account, Revenue Accountt and the Reconciliation Statements including the financial records, books, registers and other records of the District Secretariat, Jaffna 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 Accounting Officer on 26 August 2015. 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 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. The 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. 550.65 million and out of that Rs. 547.89 million had been utilized by the end of the year under review. Accordingly the savings out of the net provision amounted to Rs. 2.76 million or 0.5 per cent of the net provisions.

Expenditure	As at 31 December 2014			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Million	Rs. Million	Rs. Million	
Recurrent	517.65	515.01	2.64	0.51
Capital	<u>33.00</u>	<u>32.88</u>	<u>0.12</u>	0.36
Total	<u>550.65</u>	<u>547.89</u>	<u>2.76</u>	0.51

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

Provisions totaling Rs. 4,958.97 million had been received from 26 Ministries and 19 Departments respectively for various activities and out of this, sums totaling Rs.4,108.96 million had been utilized. Accordingly, the saving was Rs.850.01 million and it was 17.14 per cent of the total provisions received.

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 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
	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million
26401	35.00	34.88	25.00	31.17	110.00	106.65

2.2.2 Imprest Account

The balance of the Imprest Account No. 282/14 of the District Secretariat as at 31 December 2014 amounted to Rs.421,770.

2.3 General Deposit Account

The balance of Deposit Account No. 6003/0/0/40/0 of the District secretariat as at 31 December 2014 amounted to Rs. 103,405,228.

2.4 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 herein, the Appropriation Account and the Reconciliation Statement of the District Secretariat, Jaffna have been prepared satisfactorily. The material and important observations out of the observations included in the Management Audit Report appear in paragraph 3.1 to 3.17 herein.

3. Head 264 District Secretariat/ Kachcheri, Jaffna

3.1 Presentation of Accounts

Even though the District Secretariat should present the Revenue Account to audit by 31 March 2015, those accounts had not been presented to audit even by 25 October 2015.

3.2 Non-maintenance of Registers and Books

It was observed during audit test checks that the District Secretariat had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Registers -----	Relevant Regulation -----	Observations -----
Register of Counterfoil Books	Kachcheri Manual 5:10	Not maintained
Catalogue of Books	Kachcheri Manual 5:9	Not maintained
Register of Telephone	Financial Regulation 845(1), 846 (3)	Not updated
Supplementary Ledger	Financial Regulation 533	Not updated
Daily Vehicle Running Chart	Financial Regulation 1646, 1647	Not maintained for assigned vehicles
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978.	Not maintained
Register of Fixed Assets on Computers, accessories and software	Treasury Circular No.IAI/2002/02 of 28 November 2002	Not maintained

3.3 Lack of Evidence for Audit

Three hundred and forty three transactions totalling Rs. 14,525,362 could not be satisfactorily vouched in audit due to the unavailability of required evidence such as work completion report, quotations, procurement minutes, invoice, receipt, inventory certificate, approval for extra fuel, approval letter, etc in the District Secretariat and fifteen Divisional Secretariats coming thereunder.

3.4 Appropriation Account

3.4.1 Budgetary Variance

Following observations are made.

- (a) A sum of Rs. 55.16 million had been spent by the District Secretariat and Divisional Secretariats over the budgetary provision. In this connection authority of supplementary provision/ adjustment under Financial Regulation No. 66 and 69 had not been obtained from the Director General of National Budget to spend excess expenditure over the Budgetary Provision.

- (b) A sum of Rs. 3 million allocated for the construction of administrative block of the District Secretariat had been utilized for construction work of Divisional Secretariat building Jaffna which had not been approved in the annual estimate during the year under review. It was further observed that even without completing the construction work of administrative block District Secretariat the allocated amount of Rs. 3 million had been transferred to the construction work of Divisional Secretariat building Jaffna without an approval.
- (c) Original provision of Rs. 3,534,503 made under five Recurrent Objects had been reduced by 9 per cent to 62.3 per cent in five instances, while other four recurrent provisions had been increased by 11.5 per cent to 25.7 per cent. Hence it was revealed that the expenditure estimate had been prepared without proper financial plan.
- (d) Satisfactory reasons had not been given for the transfer of savings aggregating Rs. 4,682,338 ranging from 9 per cent to 60 per cent between nine Recurrent Objects.

3.4.2 Provision made available by other Ministries and Departments

Following observation is made.

One hundred forty one Nos. of sewing machines had been purchased to the value of Rs.3,299,259 by the Divisional Secretariat, Thenmaradchy on 14 November 2014 from the provision made available by the Ministry of Economic Development, contrary to the District Procurement Committee decision taken for the same. In this connection a sum of Rs. 479,400 had been overpaid to the supplier.

3.5 Imprest Account

Following observations are made.

- (a) Even though the ad hoc sub-imprest obtained should be settled immediately after the completion of the purpose in terms of provisions in Financial

Regulation 371, the ad hoc sub-impressts totalling Rs. 65,657 issued in 05 instances had been settled after delays ranging from 01 months to 2½ months from the completion of purposes.

- (b) Petty Cash Impressts amounting to Rs. 10,000 exceeding the limit of Rs.7,500 had been issued without a formal approval.

3.6 General Deposit Account

Following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on eleven deposits older than 2 years totalling Rs. 7,185,120.
- (b) Action had not been taken to pay retention money aggregating Rs.2,948,316 relating to 57 Nos of Contract works remaining in the Deposit Account over one year.
- (c) Unpaid commuted gratuity amounting to Rs. 228,521 had been retained in the General Deposit Account of the Divisional Secretariat, Vadamaradchy South West without being taken action over three months.
- (d) Unpaid pension amounting to Rs. 252,188 had been retained in the General Deposit Account without being taken action during the year under review.
- (e) Collections from the officers those who provided with motor cycles for field amounting to Rs.5,255,000 had been kept in the Deposit Account without being taken in to Revenue Account in terms of National Budget Circular No. 2/2014 of 23 July 2014.
- (f) Provisions made available by other Ministries and Departments for various activities amounting to Rs. 18,039,225 had been retained in the General Deposit Account without executing the intended activities.
- (g) Route permit collections during the year under review amounting to Rs. 24,597,105 had been kept in the General Deposit Account after incurring expenditures such as staff salary, incentives, overtime, electricity, travelling

claims and telephone charges etc. Rs. 4,599,948 without being remitted to Revenue Account in terms of National Transport Commission Letter No. NTC/POL/98/22 of 07 May 2003.

(h) Deposit Account of Planning Secretariat – District Secretariat Jaffna

Even though the following information had been requested, those information had not been submitted for audit even up to 07 September 2015. Therefore the following transactions could not be satisfactorily vouched in audit.

- (i) Details of Deposit Account balance of Rs. 8,993,916 shown in General Deposit ledger as at 01 January 2013 had not been made available in CIGAS printout.
 - (ii) Details of balance of Rs. 803,977 in the above Deposit Account which had been stated as transferred to Deposit Account of the District Secretariat Jaffna on 31 December 2013. However, it was not shown in the General Deposit Statement of the District Secretariat.
- (i) Stamp duty recovery and Pay As You Earn Tax amounting to Rs. 96,151 had been retained in the general deposit account over three months instead of being remitted to the Department of Inland Revenue.

3.7 Advances to Public Officers Account

Following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account No. 26401.

- (a) Action had not been taken either to recover the outstanding balance Rs. 442,823 due from 07 officers who had vacated their post, retirement and disciplinary actions or to make adjustments in terms of the Section 4 of the Chapter XXIV of the Establishment Code.
- (b) Follow up action on the recovery of the outstanding loan balances of property loans and distress loan aggregating Rs. 1,796,306 due from 03 officers

transferred out had not been taken in terms of Paragraph 1.1.6 of National Budget circular no. 118 of 11 October 2004.

- (c) Payment of loan aggregating Rs. 17,139,076 had been made without being obtained imprest.

3.8 Good Governance and Accountability

3.8.1 Annual Action Plan

Even though the District Secretariat should prepare an Annual Action Plan in terms of the Public Finance Circular No. 01/2014 of 17 of February 2014, an Action Plan for the year under review had not been prepared and approved at the beginning of the year under review.

3.8.2 Annual Procurement Plan

The Annual Procurement Plan in terms of Circular No. 128 of 24 March 2014 of the Department of National Budget had not been made available to audit.

3.9 Assets Management

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

(a) Conduct of Annual Boards of Survey

- (i) Action on the excesses and shortages pointed out and the other recommendations made in the Reports of the Board of Survey for the year under review had not been taken in terms of the Financial Regulation 757.
- (ii) Annual verification on stores items in 435 offices of Grama Niladaries in Jaffna District had not been verified by the Board of Survey appointed by the District Secretary for the year under review.

(iii) Stores items in 231 offices of the Grama Niladhries of Seven Divisional Secretariats had been verified by the Board consisting the Staff of the respective Divisional Secretariats contrary to Financial Regulation 756(2).

(iv) Value of 48 official vehicles assigned to District Secretariat and Divisional Secretariats had not been valued and brought to the Appropriation Account for the year under review.

(b) Irregular Use of Assets which have not Vested.

Following observation is made.

Office building for the Divisional Secretariat, Karainagar had been constructed in a private land during the year 2013 however the ownership of that land was not belonging to the Secretariat. In this connection no action had been taken to regularize the ownership of land up to date of this report. Further, official correspondence file was not made available for audit to examine the historical cost / book value of the building as at 31 December 2014.

(c) Unsettled Liabilities

The unsettled liabilities of the District Secretariat as at 31 December 2014 amounted to Rs.1,787,013 and those were existing less than one year.

However the commitments had not been incurred in terms of Financial Regulation 94 (2).

3.10 Non-compliances

Non-compliance with Laws, Rules and Regulations

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

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

(i) Financial Regulation 94	1,787,013	Independent confirmations had not been obtained for liabilities
(ii) Financial Regulation 115	80,890	Previous year expenditures had been made without being obtained authority.
(b) Public Administration Circulars		

(i) No. 41/90 of 10 October 1990	-	Consumption of fuel of 39 vehicles of District Secretariat and 14 Divisional Secretariats had not been checked in every six months.
(ii) No. 13/2008 of 26 June 2008	3,629,762	Vehicle Daily Running charts for the assigned vehicles of the fifteen Divisional Secretaries had not been prepared and rendered to audit.
(c) Treasury Circulars		

No. 01/2004 of 24 February 2004		Performance Report for the year under review had not been tabled in Parliament.

3.11 Implementation of Projects under Domestic Financing

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

(a) Projects Abandoned without Commencing

The District Secretariat had not commenced the following Projects.

Project	Estimated Cost	Due Date of Completion	Reasons for not Commencing (Briefly)
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	Rs.		
Male Quarters	5,000,000	2014	Allocation withdrawn.
Female Quarters	5,000,000	2014	Allocation withdrawn.

(b) Delays in the Execution of Projects

Delays in the execution of the construction of four storied Administrative Block by the District Secretariat were observed.

Even though a sum of Rs. 12 million had been allocated and utilized for the construction works of the Administrative Block of the District Secretariat during the year under review, only a 60 per cent of the physical works had been completed in the stage-V of the construction work which should have been completed by 31 December 2014. In this regard a considerable period of delay had been observed in audit. The commencement of construction work of the building started in 2011 and from the year of commencement a sum of Rs. 53.69 million had been allocated and a sum of Rs. 53.65 million had been spent up to the date of this report. Details are as follows.

Year	Allocation Rs.	Expenditure Rs.
-----	-----	-----
2011	19,500,000	19,500,000
2012	5,000,000	4,958,478
2013	17,192,000	17,192,000
2014	12,000,000	12,000,000
	<u>53,692,000</u>	<u>53,650,478</u>
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3.12 Performance

The observations on the progress of the District Secretariat according to the Annual Budget Estimates and Action Plan for the year 2014 are given below.

Key Functions not Executed Adequately

Following key functions of the District Secretariat had not been executed adequately and several instances so revealed are given below.

- (i) Midterm training programmes for Government officers, depending on their position.
- (ii) Appointment of committees on village level by Disaster Management Service Unit.

3.13 Transactions of Contentious Nature

Following observation is made.

It had been allowed to recover vehicle parking charges in a rate varies from Rs. 2 to Rs.10 per parking for the bicycles, motor cycle from the public visited to the District Secretariat and Divisional Secretariat, Valikamam South by the unauthenticated persons appointed by the Staff Welfare Societies over last one and a half years.

3.14 Irregular Transactions

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

Transactions without Authority

- (i) A sum of Rs. 78,995 had been incurred for the purchase of Nestea and Nestea cup for District Secretariat without financial provision in the estimate and the payment had been charged to the welfare programme Object Code.
- (ii) A sum of Rs. 50,772 had been reimbursed for mobile and residence phone charges of the officers as interest on late payments, credit transfers / share credits, IDD, IDD levy and telephone usages over the limits contrary to the Public Finance Circular No. 446 of 01 September 2010.
- (iii) Additional Fuel for an Assigned Vehicle.

Even though the District Secretary had been assigned a vehicle and paid monthly fuel allowance of Rs. 27,360, further an additional 849 fuel litres for the value Rs. 102,060 and 1645 litres for the value of Rs. 198,394 had been drawn to this vehicle from the provisions made available for the Ministry of Economic Development and Ministry of Public Administration and Home Affairs respectively without being obtained an approval from the Secretary concern contrary to the Public Administration Circular No. 13/2008 of 28 June 2008.

3.15 Losses and Damages

Following observation is made.

Losses aggregating to Rs. 2,403,388 due to various reasons from the period ranging 13 years to 27 years had been shown in the Appropriation Account. In this connection necessary action had not been taken to clear.

3.16 Unresolved Audit Paragraphs

Reference to the audit paragraphs relating to the District Secretariat included in the Reports of the Auditor General, on which follow-up action had not been finalized is given below.

Reference to Report of Auditor General		Subject under Reference (Give clearly and briefly)
Year	Paragraph Number	
2013	1.14	A sum of Rs. 3.425 million had been paid on 02 May 2012 as incentive allowance to the 27 number of officers including former District Secretary as payment relating to the work of private passengers shipping services. However the passenger ship services were ceased in March 2009 and payment relating to those works was already made at the rate of Rs. 500 per day to staff in addition to the salaries and over time payment and other allowances, no special works were conducted by any officer relating to private passenger ship during the year 2012. However, sums aggregating Rs. 648,200 only had been recovered from those officers during the period 29 June 2015 to 21 October 2015.
2013	1.11 (b) (i)	Although the Civil Engineer had been appointed to the District Secretariat, a sum of Rs. 180,000 had been paid from the General Deposit Account to the two outside officials who had been appointed on contract basis by the Departmental Procurement Committee on 10 June 2013 for the supervising of reconstruction of Conference Hall of District Secretariat without the approval obtained from the Secretary Ministry of Public Administration and Home affairs.

3.17 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2014 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i)	Senior Level	46	46	-	-
(ii)	Tertiary Level	28	18	10	-
(iii)	Secondary Level	790	871	-	81
(iv)	Primary Level	198	197	01	
	Total	1062	1132	11	81

Following observations are made.

- (i) The District Secretariat had not taken action to fill 11 vacancies by the end of the year under review.
- (ii) The District Secretariat had failed to obtain the formal approval from the Director General of Department of Management Services for the 81 excess cadre recruited as Development Officers and Public Management Assistants.