

Report of the Auditor General on Head 269 – District Secretariat, Batticaloa - Year 2016

Head 269 - The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Batticaloa for the year ended 31 December 2016 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 13 July 2017. 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. 897.00 million and out of which a sum of Rs. 874.07 million had been utilized by the end of the year under review. Accordingly, savings out of the net provision made to the District Secretariat amounted to Rs. 22.93 million or 3 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. million	Rs. million	Rs. million	
Recurrent	574.00	569.28	4.72	01
Capital	323.00	304.79	18.21	06
Total	897.00	874.07	22.93	03

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

The provision made to the District Secretariat by 12 other ministries and 07 departments for various activities aggregated Rs. 54.87 million. Out of those provision, a sum of Rs. 53.61 million made up of Rs. 28.15 million and Rs. 25.46 million respectively had been utilized. Accordingly, a sum of Rs. 1.25 million made up of Rs. 1.00 million and Rs. 0.25 million respectively had been saved. These savings represented 3 per cent and 1 per cent of the provision made.

2.2. Advance Accounts

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for Item No.269011, Advances to Public Officers Accounts of the District Secretariat and the actual amount are given below.

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
35.50	35.47	20.00	30.29	120.00	101.90

2.3 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0287/0016/000 of the District Secretariat as at 31 December 2016 amounted to Rs. 607,576.

2.4 General Deposit Account

The balances of the General Deposit Accounts of the District Secretariat and 14 Divisional Secretariats aggregated Rs. 136,076,632 as at 31 December 2016. Details appear below.

Account No.	Balance as at 31 December 2016
	Rs.
6003/0000/00/0015/0000/000	563,838
6000/0000/00/0001/0074/000	5,392,779
6000/0000/00/0002/0098/000	103,800
6000/0000/00/0013/0066/000	41,117,327
6000/0000/00/0014/0010/000	893,950
6000/0000/00/0016/0049/000	87,611,477
6000/0000/00/0017/0017/000	247,079
6000/0000/00/0018/0058/000	146,382
Total	136,076,632

2.5 Audit Observations

It was observed that subject to the audit observations appearing in the Management Audit Report referred to in paragraph 1.1 above, the Appropriation Account and the Reconciliation Statements of the District Secretariat, Batticaloa as at 31 December 2016 had been prepared satisfactorily. The material and significant observations out of the observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non – maintenance of Registers and Books

It was observed in audit that the District Secretariat had not maintained the following registers in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
(a) Register of fixed assets	Treasury Circular No.842 dated 19 December 1978	Not updated
(b) Register of securities	Financial Regulation 891(1)	Not updated

3.2 Appropriation Account

3.2.1 Budgetary Variance

The following observations are made.

- (a) The provision made for 03 Recurrent Objects and 01 Capital Object totalled Rs. 66,900,000. Of this, a sum of Rs. 11,768,394 had been saved.
- (b) A sum of Rs. 30,788,000 representing 12 per cent of the total net provision of Rs. 254,400,000 made for 14 items of recurrent expenditure and 01 item of capital expenditure had been transferred to other items of expenditure under Financial Regulations 66.

3.3 Imprest Accounts

Action had not been taken up to 15 August 2017 to remit the balance of imprest of Rs. 607,576 as at 31 December 2016 to the Treasury although it was required to remit the balance of the Imprest on 31 December in terms of Financial Regulation 373.

3.4 General Deposit Account

The following observations are made.

- (a) According to the registers maintained at the Treasury, a sum of Rs. 563,837 continued to be shown in the Deposits Account since 1983. However, the balance concerned had not been shown in the registers maintained at the District Secretariat. Action had not been taken to identify and settle this up to now.
- (b) The District Secretariat had not considered to use the Account Number made use of, by the Department of State Accounts with reference to the General Deposit Account. Instead, it had made use of, irrelevant Account Numbers.

3.5 Good Governance and Accountability

3.5.1 Annual Action Plan

According to paragraph 04 of the Public Finance Circular No. 1/2014 of 17 February 2014, particulars of an updated organizational chart, approved and actual cadre, imprest requirements, targets to be achieved, vision and the internal audit plan should be included

in the annual action plan. However, the matters referred to above had not been included in the Action Plan for 2016 prepared by the District Secretariat.

3.5.2 Assets Management

The following observations were made at an audit test checks carried out at the District Secretariat with regard to assets management.

(a) Idle Assets

The Ministry of Home Affairs had granted 05 computers valued at Rs. 490,000 on 12 September 2014 with the intention of setting up a Resources Centre at the District Secretariat. However, action had not been taken up to now to execute this project. As such, the computers remained idle since the date of receipt while the guaranteed period of those computers had already been expired.

(b) Assets given to External Parties

Outsiders were in occupation of 2 official quarters of the District Secretariat at Green Street, Batticaloa since 2008. However, action had not been taken to take over the quarters so that it could be offered to officers of the District Secretariats who had applied for quarters.

(c) Unsettled Liabilities

Assessment tax of Rs. 190,668 payable to the Municipal Council, Batticaloa for the period 2006 to 2013 on behalf of the building belonging to the District Secretariat had not been settled up to 15 August 2017.

3.6 Non – compliance

Non – compliance with Laws, Rules and Regulations

Instance of non – compliance with laws, rules and regulations observed at audit test checks are analyzed and shown below.

Reference of Laws, Rules and Regulations	Value	Non - Compliance
	Rs.	
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulations 103 and 104	898,092	Three vehicles belonging to the Porativupattu and Eravurpattu Divisional Secretariat had met with accidents in 2011, 2012 and 2014 causing a total loss of Rs. 898,092. Although a board of inquiry had been appointed to ascertain the persons responsible and the loss caused, reports had not been furnished up to now.
(ii) Financial Regulation 215(3)	-	Withdrawals cannot be made from the provision made for a specific purpose during a specific year so that it could be kept in a deposit account for future payments. However, out of the provision made for narcotic drug awareness programmes of the year under review, a sum of Rs. 350,958 had been deposited by the District Secretariat in another bank account so that it could be utilized for the seminars of the programme to be conducted during the ensuing financial year.

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| (b) | Public Administration Circular No. HAGN/4/2/1 of 22 December 2009 | - | Security deposits had not been obtained from 35 Grama Niladharis, 36 drivers and 81 officers of the District Secretariat and 14 Divisional Secretariats. |
| (c) | Letter of the Director of National Budget No. BD/GPS/130/9/14/MC-II of 07 July 2015 | 1,202,920 | The sum of Rs. 1,202,920 due on 09 motor cycles issued to 09 field officers of the District Secretariat who had gone on transfers/ vacated posts had not been recovered. |

3.7 Weaknesses in Implementation of Projects

The following observations were made at audit test checks carried out with regard to projects implemented by the District Secretariat.

3.7.1 Renovations to Roads and Culverts

A sum of Rs. 13,039,503 had been spent to renovate 09 roads and 03 culverts within the Manmunai West Divisional Secretariat Area up to end of the year under review under the programme of the Ministry of National Policies and Economic Affairs.

The following observations are made in this connection.

- (a) According to the circular of the Finance Commission No. 2016/01 of 30 December 2015, roads constructed within the Provincial Council and Local Authorities Area should be carpetted, tarred and concreted and temporary arrangements such as gravelling the road should not be done. However, 2 roads mentioned above had been gravelled, contravening the circular.
- (b) The technical officer had confirmed in writing that 1,302 cubic metres of gravel had been used for 04 roads and 03 culverts. But, the Divisional Secretariat had paid for 1,470 cubic metres of gravel. As a result, a sum of Rs. 123,669 had been overpaid to the contractors.
- (c) Twenty seven cubic metres of soil had been used while concreting the Kasupathi Road, Naripul Thottam. The Divisional Secretariat had made payments for 32.6 cubic metres of soil. As a result, a sum of Rs. 12,465 had been overpaid to the contractors.

- (d) The quantity of gravel estimated for the Aayiththamalai North Katpoothanai Road and the Karavetti Panagkattichchola Road were 450 millimetres and 600 millimetres respectively. However, gravel had been used for a height of 300 millimetres only. As such, the gravel used for the road may get washed away during the rainy season.

3.7.2 Cows granted under the Divineguma Programme

A sum of Rs. 4,500,000 had been provided to the Manmunaipathu South Eruvilpathu Divisional Secretariat in 2014 by the Ministry of Economic Affairs, to grant cows to samurdhi beneficiaries under the Divineguma National Programme. The following observations were made during the course of audit test checks carried out in this connection.

- (a) The names of suppliers from whom cows could be obtained had been recommended by the District Veterinary Surgeon by his letter No. DVS/PCO/Divineguma/2014 of 02 September 2014. However, the District Secretariat had purchased 75 cows from a supplier who had not been recommended.
- (b) According to the Circular No. 02/2012 of 10 July 2012 of the Divineguma, a maximum sum of Rs. 60,000 for 2 cows should be given as aid to beneficiaries under the cattle breeding programme. Further, according to the quotations received at the District Secretariat, 02 cows could have been given at the rate of Rs. 180 per kilogramme. However, the District Secretariat had granted one cow per beneficiary. As such, 75 cows only had been granted instead of granting 150 cows.
- (c) Cows had been granted to beneficiaries without the health certificate of the Veterinary Surgeon. As such, it was confirmed from the written statements obtained from beneficiaries that out of the entire cows granted, 07 cows had died within in period concerned.

3.7.3 Rural Economic Development Programme

Provision had been granted by the Ministry of Rural Economic Affairs to the District Secretariat under the Rural Economic Development Programme to enhance the rural livelihood development and rural infrastructure facilities of the Batticalo District. Out of this amount, a sum of Rs. 1,470,000 had been granted during the year 2016 for the awareness programme relating to control the usage of narcotic drugs.

The following observations were made in this connection.

- (a) According to the letter of the Secretary to the Ministry of Rural Economic Affairs No. MREA/5/9/1 of 01 August 2016, this fund should have been used to implement projects such as rural development and rural infrastructure facility development. However, contravening this, funds had been utilized by the District Secretariat for awareness programme relating to control of usage of narcotic drugs.
- (b) The District Procurement Committee decided to purchase 1,500 aprons from the funds allocated for the awareness programme relating to control of usage of narcotic drugs among students and youths. However, 1,800 aprons had been purchased for Rs. 1,119,042.
- (c) One thousand eight hundred aprons purchased in December 2016 for the said programme had not been distributed among students and youths. Instead, these aprons had been kept in the stores resulting in a fruitless expenditure.

3.8 Transactions without Adequate Authority

The Assistant Divisional Secretary of the Koralaipattu Central Divisional Secretariat had gone abroad without approval for which a sum of Rs. 607,576 had been paid to the Sri Lanka Institute of Development Administration by the Divisional Secretariat in 2016. Although there was no provision for this foreign trip, the funds allocated for another purpose had been utilized for this trip. However, disciplinary action had not been taken against the officer who recommended the payment for this trip.

3.9 Transactions in the Nature of Financial Frauds

The particulars of transactions of fraudulent matters observed during the course of audit are given below.

- (a) A sum of Rs. 4,829,896 had been provided to the Koralaipattu West Divisional Secretariat by the Ministry of Rural Economic Development Affairs and the Ministry of Industries and Commerce in 2016 to meet the expenditure incurred on 35 sewing machines, related equipment and teachers of two small apparel industries and sewing centres for trainees.

The following observations are made in this connection.

- (i) Sewing instructors had not been appointed to the sewing centres till the end of January 2017. However, a sum of Rs. 618,750 had been fraudulently paid on 30 December 2016 on the recommendations of a responsible officer stating instructors had been appointed and training programmes had been conducted.
 - (ii) No items had been purchased for the sewing centre till the date of audit, that is, 30 January 2017. However, a responsible officer had recommended the payment for 21 goods valued at Rs. 2,490,524 alleged to have been purchased and payments had been made 30 December 2016 by drawing 06 cheques.
- (b) The Koralaipattu Divisional Secretariat had deposited Rs. 114,000 in the savings account of 05 beneficiaries with the intention of uplifting the living standards of poor people under the provision made by the Divineguma Development Department. It was confirmed from the statements made by the manager and officers of the Community Based Bank that this money had been fraudulently withdrawn by employees of the bank. However, disciplinary action had not been taken against the relevant employees up to now.
 - (c) Twenty six sewing machines and equipment had been purchased for Rs. 575,978 at Kaluwanchchikudi under the provision by the Ministry of Rural Economic Development and the Ministry of Industries and Commerce to establish 2 sewing centres for training. Instead of establishing these 2 training centres and supplying those items to those centres, the items had been handed over to 2 rural development societies selected by the Divisional Secretariat on 23 December 2016. Although the sewing centres referred to above had not been established with the required personnel up to 03 March 2017, it had been stated that instructors and watchers had been appointed to the centres and a sum of Rs. 412,000 had been paid in 2016 as their salaries and for the administrative expenditure incurred.
 - (d) Loans had been granted to Samurdi Beneficiaries during 2014 and 2015 by the Eruvil Livelihood Development Bank of the Eruvil Village in the Manmunai South Eruvil Pattu Divisional Secretariat implemented by the Ministry of Economic Affairs with the intention of uplifting the livelihood of poor people and the loan instalments had been recovered by the Development Officers. A sum of

Rs. 37,650 so recovered from 16 beneficiaries had been misappropriated and this had been confirmed by the written statements furnished by the beneficiaries and the manager of the bank. However, disciplinary action had not been taken against those concerned in this connection.

- (e) A sum of Rs. 36,848,000 had been provided by the Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs in 2016 to construct houses for 47 beneficiaries resettled in the Manmunaipattu Divisional Secretariat Area. The following matters were observed during the course of audit test checks.
 - (i) According to the letter of the Secretary to the Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Affairs No. MR/4/1 dated 24 April 2016, final payments should be made after completion of the entire work relating to the construction. A sum of Rs. 9,118,000 had been released on 21 December 2016 to the bank accounts of 47 beneficiaries who have not completed the roofs, doors and windows of their houses stating that the entire work had been completed based on the recommendations made by a responsible officer.
 - (ii) According to the letter of the Secretary to the Ministry referred to above, the approval of the District Secretary should be obtained for final payments. In spite of this, final payments had been made by the Divisional Secretariat to all beneficiaries without obtaining the approval of the District Secretary.

3.10 Management Weaknesses

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

- (a) A voluntary organization named Sim Sri Lanka had been established in a village away from the authoritative area of the Koralaipattu West Divisional Secretariat Area. It had been confirmed by the written statements furnished by the Social Service Officer and Grama Niladharies that the organization concerned had never engaged itself in any social work. However, the Koralaipattu West Divisional Secretariat had granted 2 transformers, a laptop and a digital camera valued at Rs. 300,000 to the voluntary organization in 2014. However, a physical verification carried out revealed that those items were not available there. Further, the Divisional Secretariat had also granted computers, laptop and a printer valued at Rs. 300,000 in 2016 under the Decentralized Budget Programme to the said voluntary organization. However, disciplinary action had not been taken against

the officer who had recommended to grant the items to the voluntary organization continuously.

- (b) All Divisional Secretaries should reside in their official quarters allocated to them in terms of the letter No. HA/DA/12/27 of 26 March 2006 issued by the Secretary to the Ministry of Public Administration and Home Affairs. However, the Divisional Secretary of Manmunaipathu had not occupied his quarters and the Samurdhi Head Office of the Divisional Secretariat functioned there since November 2015. Action had not been taken to use this official quarters for the required purpose.

3.11 Human Resources Management

----- Approved Cadre and Actual Cadre -----

The position on the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	49	48	01
(ii) Tertiary Level	44	11	33
(iii) Secondary Level	927	802	125
(iv) Primary Level	146	128	18
(v) Others (Casual)	-	08	-
Total	1,166	997	177
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The following observations are made in this connection.

- (a) The villagers encounter severe difficulties as a result of action being not taken to fill the 100 vacancies of Grama Niladharis.
- (b) Permanent officers had not been appointed for 6 vacancies in the post of Administrative officers. As such, the administration work of Divisional Secretariats had become weak.
- (c) Action should have been taken on 31 December 2016 to transfer all officers of work places where they have served for over 5 years in terms of the circular of the Combined Services No. 05/2016 of 29 June 2016 issued by the Ministry of Public

Administration. But, action had not been taken to transfer 58 Management Assistants who had served for over 05 years in the District Secretariat and 14 Divisional Secretariats.