

## **Report of the Auditor General on Head 271 – Trincomalee District Secretariat – Year 2014**

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Paragraphs 1 and 2 of this report contain the general information on the Accounts of the District Secretariat and the Audit Observations on Head appear in paragraph 3 onwards.

### **1. Divisional Secretariats under the District Secretariat**

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- (a) Town and Gravets
- (b) Padavi Sripura
- (c) Gomarankadawala
- (d) Kinniya
- (e) Seruwila
- (f) Muthur
- (g) Kantale
- (h) Kuchchaveli
- (i) Morawewa
- (j) Thambalagamuwa
- (k) Verugal

#### **1:1 Scope of Audit**

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The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the District Secretariat, Trincomalee 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 District Secretary on 22 July 2015. 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 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

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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

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The total net provision made for the Trincomalee District Secretariat, amounted to Rs.329,692,000 and out of that, a sum of Rs.323,065,594 had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the District Secretariat amounted to Rs.6,626,406 or 2 per cent. Details are as follows.

Expenditure	As at 31 December 2014			Savings, as a Percentage of Net Provision
	Net Provision	Utilization	Saving	
	Rs.	Rs.	Rs.	
Recurrent	291,292,000	286,328,705	4,963,295	1.7
Capital	38,400,000	36,736,889	1,663,111	4.3
Total	329,692,000	323,065,594	6,626,406	2.0

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

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Provision totalling to Rs.979,469,639 made up of Rs.966,877,829 and Rs.12,591,810 respectively had been made available by 13 Ministries and 08

Departments for various activities. By the end of the year under review, out of the above provision, a total sum of Rs.871,483,856 made up of Rs.860,215,883 and 11,267,973 had been utilized. Accordingly, provision totalling Rs.107,985,783 made up of Rs.106,661,946 and Rs.1,323,837 respectively had been saved.

## 2.2 Advance Account

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### 2.2.1 Advances to Public Officers' Account

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#### Limits Authorized by Parliament

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The limits authorized by Parliament for the Advance to Public Officers' Account of the District Secretariat and the actual amount are given below.

Item Number	<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
27101	Rs. 33,000,000	Rs. 21,252,013	Rs. 20,000,000	Rs. 14,259,069	Rs. 130,000,000	Rs. 72,931,270

## 2.3 Imprest Account

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The balance of the Imprest Account No.7002/0000/00/0289/0014/000 of the District Secretariat, Trincomalee as at 31 December 2014 amounted to Rs.78,705,293.

## 2.4 General Deposit Account

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The balance of the General Deposit No. 6003/0000/00/0047/0000/000 of the Trincomalee District Secretariat as at 31 December 2014 amounted to Rs.224,475,056.

## 2.5 Audit observation

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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, the Appropriation Account and the Reconciliation Statements of the District Secretariat Trincomalee have been prepared satisfactorily. The material and important observations out of the observations included in the Management Audit Report appear in paragraph 3.

### 3. Head 271 – Trincomalee District Secretariat

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#### 3.1 Non-maintenance of Registers and Books

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It was observed during the course of audit test checks that the District Secretariat and 11 Divisional Secretariats had not maintained the following registers.

<b>Type of Register</b>	<b>Related Regulation</b>
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Register of fixed Assets	Treasury Circular No. 842 dated 19 December 1978
Register of fixed assets for computers, accessories and software	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
Register of Security Bonds	Financial Regulation 891(1)
Register of electrical equipment	Financial Regulation 454(2)
Register of losses	Financial Regulation 110
Register of liabilities	Financial Regulation 214
Register of Procurement Committee meeting Records	Guideline 2.11.3(a) of the Government Procurement Guidelines
Register relating to calling for bids	Guideline 5.2.1 of the Government Procurement Guidelines

#### 3.2 Non-compliance with Limits

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The minimum limit specified for the Advances to Public Officers Account, Item No.27101 of the Trincomalee District Secretariat as referred to in the third schedule of the Appropriation Act No.36 of 2013 was Rs.20,000,000. The actual receipts by end of the year under review amounted to Rs.14,259,069. Accordingly, the minimum limit had not been reached by Rs.5,740,931.

### **3.3 Appropriation Account**

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#### **3.3.1 Budgetary Variance**

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The following observation is made.

Excess provision had been made for 04 objects and as such the savings, after the utilization of provisions, ranged between 25 per cent to 47 per cent of the net provisions relating to the respective objects.

#### **3.3.2 Provision made available by other Ministries**

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The following observations are made in this regard.

- (a) The Ministry of Economic Development had provided Rs.75 million on 28 February 2014 to construct 26 fences in 09 areas of Divisional Secretariats as a remedy to avoid human, elephant conflict in the district. Of this provision, a sum of Rs.15,6 million or 21 per cent only had been spent. 11 fences planned to be constructed at Gomarankadawela, Kantale, Verugal and Muthur had not been constructed by end of the year under review.
- (b) The Child Development and Womens' Affairs Ministry had provided Rs.9,007,710 during the year 2014 to implement the programme of providing a glass of milk programme for school children of 11 Divisional Secretariat Areas of Trincomalee District. The District Secretariat had not utilized Rs.4,638,601 or 51 per cent of that provision given for implementation of the Programme.
- (c) The Ministry of Agriculture had provided Rs.16.618 million to publicize cultivation of green grams in the Trincomalee district during the 3<sup>rd</sup> season. The District Secretariat had utilized Rs.3.691 alone of the provision made. Accordingly, 78 per cent of the total provision had not been utilized for the said purpose.
- (d) The Ministry of Agriculture had provided Rs.5.4 million in 2014 to publicize production and usage of carbonic fertilizers among farmers. The District Secretariat had not utilized Rs.4 million or 74 per cent of this for the said purpose.

### 3.4 Imprest Account

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The following observations are made.

- (a) The unsettled imprest balance of the Trincomalee District Secretariat Trincomalee by 30 April 2015 amounted to Rs.78,705,293. Balances totalling Rs.130,000 existing since 2011 too had been included in this.
- (b) Ad hoc imprests obtained should be settled immediately after fulfilment of the purpose in terms of Financial Regulation 371. However, Ad hoc imprest totalling Rs.179,125 obtained on 20 instances had been settled after a delay of ranging from 01 to 04 months.
- (c) Action should have been taken to settle the cash book on 31 December 2014 in terms of the Treasury Operations Circular No.04/2014 of 20 November 2014. However, the District Secretariat had not acted in such a manner, Details are shown below.
  - (i) According to paragraph 2.1 of the above circular a note relating to the balance of the cash book as at 31 December 2014 should be handed over to the bank and a Debit Notice should be obtained from the bank which should be furnished to the Treasury Operations Department. However, the District Secretariat had settled the Imprest balance on 27 January 2015. A Debit Notice for a total sum of Rs.78,575,293 made up of Rs.38,575,293 and Rs.40,000,000 respectively had been obtained on 26 and 27 January 2015 in this connection.
  - (ii) A request for Rs.50 million had been made to the Department of Treasury Operations for supply of cooked food, dry rations and other necessary relief for those who had been affected by the flood havoc caused in the Trincomalee District in December 2014 by the letters of the Trincomalee District Secretary No.GAT/DDMC/NDRSC/FloodA/2014 of 28 December 2014 and 29 December 2014. Accordingly, the Department of Treasury Operations had granted an imprest of Rs.40 million. The money had been refunded on 27 January 2015 without utilizing it for the said relief activities.

### **3.5 General Deposit Account**

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The following observations are made.

- (a) Action had not been taken in terms of the Financial Regulation 571 with regard to 379 deposits totalling Rs.35,052,909 exceeding 2 years.
- (b) The provision of Rs.500,000 made available by other ministries and departments for various activities during August 2011 and February 2013 had been retained in the General Deposit Account even by 31 December 2014 without fulfilling the said activities.

### **3.6 Reconciliation Statement of the Advances to Public Officers Account**

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The following deficiencies were observed at audit test checks carried out with regard to the Reconciliation Statement pertaining to Item No.27101, Advances to Public officers Account as at 31 December 2014.

- (a) Action had not been taken in terms of Section 4 of Chapter XXIV of the Establishments Code with regard to recovery of balances of advances due from retired/ deceased officers. Loan balances of Rs.306,806 recoverable from 4 officers who had retired in 2005 and 2013 had not been recovered even by end of the year under review.
- (b) Loan balances of Rs.858,363 recoverable from 07 officers who had been suspended from service during the period 2004 to 2011 could not be recovered even by 31 December 2014.
- (c) Action had not been taken in terms of Sections 4.5 and 4.6 of Chapter XXIV of the Establishments Code with regard to the recovery of loan balances of Rs.1,125,042 from 11 officers who had vacated posts during the period 2006 to 2011.
- (d) According to the Reconciliation Statement furnished to the audit, the total of the outstanding balances as at that date amounted to Rs.5,898,844. Although the outstanding balances ranged between a period from 01 to 06 years, the follow up action taken to recover those outstanding balance was at a weak level.

### 3.7 Assets Management

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The following deficiencies were observed at an audit examination carried out with regard to the assets of the District Secretariat.

(a) Irregular Usage of Assets belonging to other Institutions

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According to a Gazette Notification No.124 dated 16 January 1981, 372 acres of land, buildings and houses thereon at Point Pedro Fort situated in Trincomalee had been declared as an Archaeological Site. Accordingly, the Director General of Archaeology by his letter No.M/EP/1/7A dated 04 January 2011 requested that the building where the District Secretariat functioned to be legally vested with Department of Archaeology. However, the building had not been legally vested even by 30 June 2015. The District Elections office and certain official quarters continued to exist in that premises upto now.

### 3.8 Non-compliance

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#### Non-compliance with laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
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(i) Financial Regulation 260	The District Secretariat office had issued cheques to recipients without confirming their identity.
(ii) Financial Regulation 384(iv)	Officers other than those who are assigned with the task of cheques too had carried out the duty at the Divisional Secretariats of Town and Gravets and Kantale.



(iii)	Financial 390(b)	Regulation	Cheques taken over by officers in charge of the subject for making payments to clients at the Divisional Secretariats of Town and Gravets and Kantalae had not kept them safely and kept those in the files in an alymrah.
(iv)	Financial 1646	Regulation	The daily running charts of 08 vehicles of the pool of the District Secretariat and their monthly performance summaries had not been furnished to audit.
(b)	Government Procedures	Procurement	
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	Guideline 4.4		The contract for constructing 6 fences for protection from elephants valued at Rs.24.7 million had been awarded to a Rural Community Organization by the Town and Gravets Divisional Secretariat by splitting it into 18 portions so that each portion would become less than Rs.2 million.

### 3.9 Implementation of Projects under Domestic Financing

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

#### (a) Projects Abandoned without Commencing

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Provision amounting to Rs.6,000,000, Rs.10,400,000, Rs.3,000,000 and Rs.12,500,000 respectively had been made for 04 Projects to construct fences for protection from elephants at the Gomarankadawela, Kantale, Verugal and Muthur Divisional Secretarial Areas. Those projects to be commenced in October 2014 had

been abandoned by end of the year under review. Specific reasons had not been furnished to audit for abandoning those projects.

**(b) Projects Abandoned without Completion**

Although the District Secretarial had commenced the following projects, those projects had been abandoned without completion. Reasons for abandoning these projects had not been furnished to audit.

Project	Estimated Cost	Expenditure as at 31 December 2014
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	Rs.	Rs.
A drainage system and concreting of roads at Sumedankarapura, Rewatha Mawatha	3,000,000	-
A drainage system and concreting of road at Pethispura Mawatha	7,000,000	3,340,276
A drainage system and concreting of road at Nelsonpura	10,000,000	739,860
A drainage system and concreting of road at Varodayanagar Central Mawatha	5,000,000	717,611
Drainage system and concreting of roads at Samanpura	20,000,000	4,779,578
Drainage system and concreting of road at Kerniady Mawatha	7,000,000	2,053,714
Drainage system and concreting of road at Salli, Tsunami Housing Project	3,000,000	-
Drainage system and concreting of roads at 5 <sup>th</sup> and 7 <sup>th</sup> Mawatha, Kappalthurai	25,000,000	1,834,604
Concreting of Tsunami Rural Mawatha at Pulmoddai	11,000,000	3,964,176

Improvements to the Kumburupitiya M.O.H Office	4,000,000	330,125
Yaya 2, Pansal Mawatha	6,000,000	2,928,537
Jumma Mosque Road, Namalwatta	7,500,000	4,978,628
Samagi Mawatha	3,000,000	-
Batukachchiya Junction to the Muslim Area	13,900,000	879,137
Carpetting the Jabbar Mawatha	5,000,000	473,593
Improvements to Buhari Nagar Playground Mawatha	5,000,000	4,274,271
Carpetting the Meda Mawatha	5,000,000	3,083,321
Concreting of Kawanthissapura Mawatha	16,000,000	6,183,693

### 3.10 Performance

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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

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Instructions had been given by the Commissioner General of Land by his Circular No.2013/1 of 31 January 2013 for speedy implementation of problems connected with crown lands during post war situation in Northern and Eastern Provinces. 13724 applications had been furnished in 24 Grama Niladhari Divisions of the Kuchchaveli Divisional Secretarial Area while calling for application regarding the land conflicts under the Circular No.2008/4 of the Commissioner General of Land. Of these, 4151 applications only had been subjected to preliminary inquiries and preliminary inquiries had not been carried out with regard to 9573 applications.

### 3.11 Transactions of Contentious Nature

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The Ministry of Economic Development had provided Rs. 75 million on 28 February 2014 for conservation of wildlife of the Trincomalee district. Quotations had been called for, to purchase equipment for erecting fences for protection from elephants. In this connection, two private companies had furnished their quotations for Rs.274,440 and Rs.337,281 respectively. The following shortcomings were observed at audit test checks carried out in this regard.

- (a) The procurement committee that met on 21 October 2014 had approved purchase of the equipment concerned from the private company which had forwarded the lowest quotations. This had not been taken into consideration and contract for construction of 18 fences for protection from elephants at Town and Gravets Divisional Secretariat had been entrusted to the Rural Community Based Organization for Rs.24.78 million. The District Secretariat had paid Rs.9.7 million to the Rural Community Based Organization by 31 December 2014. The Community Based Organization had not purchased the required equipment from the firm approved by the procurement committee to fulfil the contract. Instead, the entire amount paid to the society had been released to the other firm which had tendered the highest quotation for purchasing the equipment.
- (b) A procedure for maintenance of technical accessories supplied for constructing fences for protection from elephants had not been prepared. A physical verification showed that the construction had become inactive within 6 months of construction.
- (c) A total sum of Rs.3.6 million had been paid by 30 December 2014 as rehabilitation advance under 8 estimates valued at Rs.12.9 million to construct fences for protection from elephants around the environmental garden proposed to be constructed in the middle portion of Wilgama Forest. The equipment supplied under this remained idle without safety. A decision had been arrived at to stop

construction at the environmental garden by the time the audit was carried out and by now the construction at the environmental garden had been stopped.

### **3.12 Losses and Damages**

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The inquiries in terms of Financial Regulations 104(3) and 104(4) with regard to 12 accidents caused to vehicles before 2011 at the District Secretariat and at 3 Divisional Secretariats had not been completed even by 30 June 2015.

### **3.13 Uneconomic Transactions**

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Only ninety out of 268 development projects exceeding Rs.2 million which had been executed at the Trincomalee District under the 2013 Deyata Kirula Development Programme had been completed. Certain projects had been cancelled. Allowances paid to the members of the Procurement Committee and the other allowances paid to members for 11 such projects concerned amounted to Rs.38,500 and Rs.27,500 respectively.

### **3.14 Unresolved Audit Paragraphs**

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Reference to deficiencies shown in paragraphs relating to the District Secretariat included in the Reports of the Auditor General for the year 2013 which had not been rectified is given below.

<b>Reference to Report of Auditor General</b>	<b>Subject under Reference</b>
----- <b>Paragraph Number</b> -----	-----
1.8 (iii)	Although a higher official should be appointed as Secretary of the Procurement Committee such an appointment had not been made.

- 1.8(iii) The members of the Procurement Committee and the Technical Evaluation Committee had not signed statements declaring that the commercial secrecy of the committee meetings would be respected by them and their fairness, honesty and non-personal relationship would be maintained.
- 1.11 (c) The Procurement Committee of the Trincomalee District Secretariat had not been properly formed and the register of attendance as required by Guideline 2.9.2 had not been furnished. The provision made for administrative expenses of development projects executed within the Trincomalee District under the 2013 Deyata Kirula Rural and Divisional Programmes had been made use of to pay allowances of 6 members amounting to Rs.807,500.
- 1.12 (a)(ii) A physical verification revealed that the seeds cultivated under the Alla Scheme had success fully grown. In spite of this, water had been released without prior notice and as a result those could not be saved and had been destroyed. The District Secretariat had not taken action to assess the damage caused and to carry out preliminary inquiries to fix responsibility on those concerned.
- 1.12 (a)(vii) Green gram seeds had been purchased at the rate of Rs.250 to Rs.281 per kilogramme. Except the governments subsidy of Rs.200, the balance should have been recovered from the farmers. However, a sum of Rs.39,528 was due from the Seruwila area

for the seeds issued by the Provincial Director of Agriculture.

1.12(i)(I) Nine agreements had been entered into to lease out 408 hectares of crown land in the Kuchchaveli Divisional Secretariat Area for various development activities. In this regard action had not been taken against 3 long term lessees who had to pay an arrears of Rs.69,980,984 as lease rent and the fines due thereon since the year 2009.

1.12(i)(II) The Divisional Secretariats had not supervised whether the lessees concerned had made use of the land according to the conditions laid down in the agreement.

1.12(i)(III) According to the Land Commissioner's letter No.4/10/16124 dated 19 August 1999, approval had been granted for lease of 50 acres of land on a long term basis. The lease rent and the installments thrice the amount of the annual lease rent had not been recovered.

1.12(i) The Divisional Secretariats of Kuchchaveli, Serunuwara, Verugal and Town and Gravets had not issued 2106 registered licences and award letters among the occupants of Crown Land during the years 2012, 2013 and 2014.

### **3.15 Management Weaknesses**

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The following weaknesses were observed at audit test checks.

(a) **Irregular Usage of Assets not Acquired**

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The new building complex of the Trincomalee District Secretariat constructed under a provision of Rs.399 million had been declared open on 12 October 2011. That land belongs to the State Timber Corporation. But, action had not been taken to acquire its legal ownership upto 30 June 2015.

(b) It was observed that cheques drawn as at 31 December 2014 remained unissued to the clients even by the date of audit in May 2015 as shown below.

<b>Divisional Secretariat</b>	<b>Value of Cheques</b>
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	Rs.
Town and gravest	1,536,317
Kantale	659,158
Gomarankadawala	835,987
Kuchchaveli	152,335
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	3,183,797
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(c) Construction work development projects for constructing 3 public drinking water wells at Gemunupura of the Gomarankadawale Divisional Secretariat Area under the special Development Programme 2014 of the Ministry of Economic Development had not been completed. But, works for Rs.220,868 had been certifies and recommended on 30 December 2014 stating the work had been fully completed.

(d) Goods for 07 cheques drawn for Rs.655,239 as at 31 December 2014 by the Kantale Divisional Secretariat had not been supplied even by 29 January 2015.

(e) All activities such as preparation of paid vouchers, maintenance of cash book, calling for quotations for procurement, maintenance of files, issue of cheques to suppliers, receiving goods at the stores and maintenance of stores records had



been performed by an officer of the Public Management Assistance Service, Grade II attached to the Accounts Branch of the Kantale Divisional Secretariat. As such, the internal control of those functions had become weak.

### 3.16 Human Resources Management

#### ----- Approved Cadre and the Actual Cadre -----

The position of cadre of the Divisional Secretariat and 11 Divisional Secretariats as at 31 December 2014 appear below.

Category of Employee	Approved Cadre	Actual Cadre	No.of Vacancies	Surplus
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(i) Senior Level	33	24	09	-
(ii) Tertiary Level	33	15	18	-
(iii) Secondary Level	759	415	344	-
(iv) Primary Level	128	95	33	-
(v) Others (Casual Basis)	-	03	-	03
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Total	953	552	404	03
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The District Secretariat had not taken action to fill 404 vacancies by end of the year under review.