

## Report of the Auditor General on Head 269 – District Secretariat, Batticaloa - Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 269 - District Secretariat, Batticaloa for the year ended 31 December 2015 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 2016. 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.758.00 million and out of which a sum of Rs.601.42 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.156.58 million or 21 per cent. Details appear below.

#### As at 31 December 2015

<u>Expenditure</u>	<u>Net Provision</u>	<u>Utilization</u>	<u>Savings</u>	<u>Savings, as a Percentage of Net Provision</u>
	<u>Rs. million</u>	<u>Rs. million</u>	<u>Rs. million</u>	
Recurrent	543.70	538.22	5.48	01
Capital	214.30	63.20	151.10	70
Total	758.00	601.42	156.58	21

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

The provision made to the District Secretariat by 25 other ministries and 18 departments for various activities aggregated Rs. 1,802.79 million. Out of those provisions a sum of Rs. 1,744.98 million made up of Rs.1,652.95 million and Rs.92.03 million respectively had been utilized. Accordingly, a sum of Rs. 57.81 million made up of Rs.55.80 million and Rs.2.01 million respectively had been saved. These savings represented 3 per cent and 2 per cent of the provision made.

**2.2. Advances to Public Officers Account**

**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.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
36.58	31.326	18.00	27.62	100.00	94.83

**2.3 Imprest Account**

The balance of the Imprest Account No.7002/0000/00/0287/0015/000 of the District Secretariat as at 31 December 2015 amounted to Rs.45,000.

**2.4 General Deposit Account**

The balances of the General Deposits Account of the District Secretariat and 14 Divisional Secretariats aggregated Rs.84,555,167 as at 31 December 2015. Details appear below.

<u>Account No.</u>	<u>Balance as at 31 December 2015</u>
	<b>Rs.</b>
6003/0000/0015/0000/000	563,838
6000/0000/00/0001/0074/000	2,429,973
6000/0000/00/0002/0098/000	13,000
6000/0000/00/0013/0066/000	2,167,977
6000/0000/00/0014/0010/000	11,067
6000/0000/00/0016/0049/000	79,245,598
6000/0000/00/0017/0017/000	122,414
6000/0000/00/0018/0058/000	1,300
Total	84,555,167

## 2.4 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 2015 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	Observation
-----	-----	-----
(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
(c) Register of electricity equipment	Financial Regulation 454(2)	Not updated
(d) Register of counterfoil books	Financial Regulation 341	Not updated

## 3.2 Appropriation Account

-----

### 3.2.1 Budgetary Variance

-----

The following observations are made.

- (a) The provision for construction of the new building amounting to Rs.150,000,000 had been entirely saved without being used for the purpose concerned.
- (b) The provision made for 03 recurrent Objects totalled Rs.11,339,000. Of this, a sum of Rs.2,921,453 had been saved.
- (c) A sum of Rs.119,300,000 had been obtained through supplementary estimates in addition to a sum of Rs.122,600,000 allocated in the Budget Estimate for 03 recurrent Objects.
- (d) A sum of Rs.20,570,000 representing 18 per cent of the total net provision of Rs.113,550,000 made for 07 recurrent Objects had been transferred to other Objects under Financial Regulations 66.

### **3.2.2 Provision made by other Ministries and Departments**

-----

Although a sum of Rs.124,084,039 had been received from the Ministry of Disaster Management by the District Secretariat during the year under review, 83 per cent of it amounting Rs.103,475,473 only had been utilized upto end of the year under review.

### **3.3 Imprest Accounts**

-----

The following observations are made.

- (a) Ad-hoc sub imprests should be settled immediately after the fulfilment of the purpose for which it was provided in terms of Financial Regulations 371. However, ad-hoc sub imprests amounting to Rs.25,903 granted to 03 officers on 03 occasions had been settled after a delay ranging from 83 to 150 days.
- (b) The imprest balance of Rs.45,000 reimbursable to the Treasury as at 31 December in terms of Financial Regulation 373 had been reimbursed on 11 February 2016 after a delay of 42 days.

### **3.4 General Deposit Account**

-----

The following observation is made.

Although sum of Rs.81,439 had been obtained by the Koralaipattu Divisional Secretariat on 29 April 2009 for paying compensation to a land owner it had been retained in the General Deposit Account without paying to the land owner.

### **3.5 Good Governance and Accountability**

-----

#### **3.5.1 Internal Audit**

-----

An Internal Audit Division had been established by the District Secretariat and the internal audit activities are carried out by appointing a Chief Internal Audit Officer and 33 internal audit officers. The following observations are made in this regard.

- (a) The Internal Audit Programme for the year 2015 had not been prepared and a copy of it furnished to the Auditor General.
- (b) Internal audit had not been completely carried out relating to the following important matters while carrying out internal audit by the Internal Audit Division at the District Secretariat and 14 Divisional Secretariats.
  - Contract Administration
  - Assets Management
  - Vehicle Maintenance
  - Payment of Advances
  - Physical Performance

### 3.5.2 Assets Management

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

#### (a) Assets given to External Parties

-----  
The following observations are made.

- (i) According to the letter No.HA/DA/12/27 dated 26 March 2006 of the Secretary to the Ministry of Public Administration and Home Affairs, all Divisional Secretaries must reside in the official quarters allocated to them. However, the official quarters allocated to the Divisional Secretary, Porativupathu had been given to the officers of the Department of Wild Life from 14 August 2014 without occupying by him. Action had not been taken yet to take over and occupy the quarters by the Divisional Secretary.
- (ii) 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.

#### (b) Unsettled Liabilities

-----  
Assessment tax of Rs.190,668 payable to the Municipal Council, Battcaloa from 2006 to 2013 on behalf of the building belonging to the District Secretariat occupied by the NORAD had not been settled upto now.

### 3.6 Non - compliance

#### ----- Non – compliance with Laws, Rules and Regulations and Management Decisions

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

Reference to Laws and Regulations	Rules, Value	Non – compliance
-----	-----	-----
(i) Financial Regulations 103 and 104 of the Democratic Socialist Republic of Sri Lanka	Rs. 898,092	Three vehicles belonging to the Porativupattu and Eravurpattu Divisional Secretariats had met with accidents in 2011, 2012 and 2014 causing a loss of Rs.898,092. However, action had not been taken in terms of the regulation in this regard.
(ii) Public Administration Circular No.HAGN/4/2/1 of 22 Decmber 2009 and 1/199 of 09 April 1999	-	Security deposits had not been obtained from by 251 Grama Niladharis 36, drivers and 81 other Government officers of the District Secretariat and 14 Divisional Secretariats.

### 3.7 Weakness in Implementation of Projects

-----

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

(a) A contract to the value of Rs.10,577,086 had been awarded to construct the bus stand at Kaluwanchchikudi area under the 100 days Special Development Programme of the Ministry of Housing and Samurdhi. The following observations were made in this regard.

- Approval of the District Secretary should have been obtained by the contractor for any extra work in terms of Section 3 of the conditions of the contract. However, extra works to the value of Rs.2,760,764 had been carried out and payments made without the approval of the District Secretary.
- Although fourteen electric fans had only been installed at the bus stand, payments had been made for 16 electric fans.
- Retention walls had been constructed around the bus stand at the length of 70 metres. However, payments had been made for a length of 73 metres resulting in an overpayment of Rs.19,800 to the contractor.
- Although foundation at the reads side of the bus stand had not been covered with plaster and filled with soil, payments had been made for them.
- The bus stand was inundated during the rainy reason bus stand had not been constructed with an appropriate height suitable to the location and as such the public were unable to use it during the rainy season.

(b) A contract for beautification of trench surrounding the Batticaloa District Secretariat had been awarded at a cost of Rs.3,611,385 on 19 December 2014 by the District Secretariat under the provision made by the Ministry of Home Affairs and Fisheries. The work had been completed on 31 July 2015 and the following observations are made in this regard.

- Approval of the Chief Engineer of the Department of Buildings should be obtained for any work, in addition to the works mentioned in the Bill of Quantities according to his letter dated 01 January 2015. In spite of this, the contractor had carried out extra works to the value of Rs.1,930,012 without his approval and payments had been made by the District Secretariat.
- According to the approved estimates of the Department of Buildings it was decided to pay at the rate of Rs.1,472 per cubic feet for filling the muddy

portion of the moat with soil. However, a sum of Rs.751,250 had been paid to the contractor at the rate of Rs.5,000 per 155.20 cubic feet.

- A realistic estimates had not been prepared by carrying out a feasibility study before commencing the work of beautification of the french. As a result, 23 out of 46 items of work included in the estimates had been deleted and additional 11 items of work had been included instead of them. As such, the expected result could not be achieved from the cost estimates prepared in this regard.
- (c) The District Secretariat had awarded for Rs.2,434,445 on 15 July 2015 to beautify the roundabout area of the Diyawatuwan clock tower under the 100 day Special Programme of the Ministry of Home Affairs and Fisheries. The following observations are made in this regard.
- Constructed circumference of the fence with steel pipes around the clock tower was 224.2 metres only. However, payments had been made to the contractor by the District Secretariat for a circumference of 235 metres resulting in an overpayment of Rs.21,600 to the contractor.
  - Two small water tanks with a depth of 150 millimetres to the value of Rs.300,000 had been constructed. However, these, tanks had not been maintained and as such the expenditure incurred on this had become fruitless.
- (d) A contract to the value of Rs.3,000,000 had been awarded by the District Secretariat under the 100 days Special Development Programme of the Ministry of Housing and Samurdhi to construct pier at the Fisheries Harbour Oddamavadi on 13 July 2015 and the work had been completed on 26 November 2015. According to the physical verification carried out on 23 February 2016 with regard to this construction and the information furnished by the technical officer showed that 177.49 cubic metres of machinery work had only been carried out. However, a sum of Rs.2,552,234 had been paid by the District Secretariat for 231.90 cubic metres of machinery work resulting in an overpayment of Rs.383,046 to the contractor.

### **3.8 Irregular Transactions**

-----

The following irregular transactions were revealed at audit test checks.

- (a) A contract to construct 09 agriculture wells at Majma Town had been awarded for Rs.2,000,000 during the year under review by the Ministry of Economic Development under the Divineguma National Programme. Although this work had not been completed a responsible officer had recommended that the entire works had been completed and a cheque for Rs.1,926,851 had been drawn on 31 December 2015 accordingly.
- (b) Allocation had been made for supply of 47 solar power lights to the Village of Majma Wager in the Divisional Secretariat Division of Koralipattui - West had been made by the Ministry of Economic Development under the Dawn of East Programme during

the year 2014 and a sum of Rs.445,900 had been paid on 10 December 2014. However, these 47 solar power lights had been received only on 17 April 2015.

- (c) A sum of Rs.500,000 had been provided to the Divisional Secretariat, Koraliapattu - West to construct a building of the Oddamavadi Primary School under the allocation of the Ministry of Housing and Samurdhi for the year 2015 and the contract had been awarded to an approved society. However, it had been confirmed by the written statement furnished by the Assistant Director of Planning of the District Secretariat, Koraliapattu – West and that the above mentioned work had been personally carried out by the Assistant Director of Planning concerned and the payments for those works had been made on irregular recommendations made by him.

### **3.9 Transactions of Fraudulent Nature**

-----  
The following transaction of fraudulent nature were revealed at audit test checks.

- (a) Provision had been made to the Divisional Secretariat, Koralaipattu West by the Ministry of Economic Development under the “Divineguma” National Programme to enhance the livelihood of poor people by providing equipment and cattle during the year 2011. Of this, a sum of Rs.288,222 had been spent on purchasing items to support the livelihood and it was confirmed by the written statement obtained from beneficiaries concerned and the Samurdhi officers that the Divineguma officers had misappropriated those items without issuing to the beneficiaries concerned.
- (b) Provision of Rs.160,000 had been made to the Koralaipattu South Divisional Secretariat in the year 2012 to construct green houses for two beneficiaries under the above programme. In this connection, it was confirmed by the written statement obtained from the Divineguma Officers that 06 cheques to the value of Rs.155,550 drawn in favour of 2 beneficiaries from the above provision had been frequently obtained by the Divineguma Officers without handing over to the beneficiaries concerned.

### **3.10 Management Weaknesses**

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

- (a) According to the information received from the hospitals of the Batticaloa District, number of women affected by conflict up to 2016 was 1094. However, the safe house for women affected by the conflict in the Batticaloa District, constructed under the provision of the Ministry of Women and Child Affairs at a cost of Rs.13,752,184 and completed on 31 December 2014 had not been utilized for the said purpose up to now.
- (b) A child care centre constructed at a cost of Rs.9,588,068 at Kalviyankadu, Batticaloa under the provision made by the Ministry of Women and Child Affairs and completed in 2014 had not been utilized for the relevant purpose, up to now.



- (c) Action had not been taken up to now to hand over 1139 Swarna Bhoomi, Jaya Bhoomi and other donations approved and awarded by His Excellency the President with regard to 13 Divisional Secretariats from 1991 to 2014 to the beneficiaries concerned.
- (d) The District Secretariat and Divisional Secretariats had not taken legal action against 27 institutions which constructed telecommunication towers illegally in crown lands since 2009.
- (e) Lands had been given to two private sector institutions by the Divisional Secretariats, Koralipattu Central and Manmunai North on the cases of long term lease. But, action had not been taken to get the lease rent of Rs.3,830,000 from the private institutions concerned.
- (f) Although three officers of the District Secretariat had utilised telephone calls exceeding the approved limits contrary to the Public Administration Circular No.03/2014/(I) of 10 March 2015, telephone charges amounting to Rs.31,588 paid exceeding the approved limit had not been recovered from them.

### 3.11 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excess
(i)	Senior Level	50	49	01	-
(ii)	Tertiary Level	44	11	13	-
(iii)	Secondary Level	919	797	122	-
(iv)	Primary Level	143	126	17	-
(v)	Others (Casual)	-	05	-	05
	Total	1,156	988	173	05

The following observation is made in this regard.

The District Secretariat had not taken action to obtain the formal approval for the excess cadre recruited.