

Report of the Auditor General on Head 271 – District Secretariat, Trincomalee–Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 271 – District Secretariat, Trincomalee 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 28 September 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.432.00 million and, out of that Rs.420.72 million 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.11.28 million or 2.61 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	378.00	367.20	10.80	2.86
Capital	54.00	53.52	0.48	0.88
Total	432.00	420.72	11.28	2.61

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

Provisions totalling Rs.2,917.61 million had been made available by other 17 Ministries and 10 Departments for various activities and out of that a sum of Rs.2,768.34 million had been utilized by the end of the year under review. Accordingly, the savings out of the provisions made amounted to Rs.149.27 million or 5.12 per cent.

2.2. Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.27101 of the District Secretariat, 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
26.00	25.80	16.00	21.89	100	78.50

2.3 General Deposit Account

The balances of Deposit Accounts of the District Secretariat, as at 31 December 2016 totalled to Rs.95.06 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. Millions
6000/0000/00/0002/0104/000	6.67
6000/0000/00/0013/0070/000	9.39
6000/0000/00/0014/0011/000	1.49
6000/0000/00/0016/0052/000	77.51
Total	<u>95.06</u>

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the District Secretariat had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit 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 during audit test checks that the District Secretariat and Divisional Secretariats had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
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(a) Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978.	Not updated by the District Secretariat and 07 Divisional Secretariats.
(b) Register of Security	Financial Regulation 891 (1)	Not updated by 07 Divisional Secretariats.

3.2 Replies to Audit Queries

Replies to 01 audit query issued in the year under review to the District Secretariat had not been furnished even by 20 September 2017. The value of quantifiable transactions relating to those audit queries amounted to Rs.6,536,677.

3.3 Appropriation Account

Budgetary Variance

Excess provisions had been made for 05 objects and as such the savings after the utilization of provisions ranged between 21 per cent to 71 per cent of the net provisions relating to the respective Objects.

3.4 Provisions made available by other Ministries, Departments and District Secretariats

3.4.1 Projects implemented on the provisions of the Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs

The following observations are made.

(a) Project of providing Infrastructure Facilities

- (i) At the physical examination carried out in respect of Development of Kottadi Kandasamy Malai Road in the Kuchchiveli Divisional Secretariat Division it was observed that the payable amount for the constructions completed of 1,300 meters length of the road amounted to Rs.1,056,364. Nevertheless, a sum of

Rs.1,603,855 had been paid for the length of 2100 meters. As such a sum of Rs.547,491 had been over paid for 800 meters which had not been constructed.

- (ii) In the Development of Internal Road of Weerachcholya in the Kuchchiweli Divisional Secretariat, Division the works such as deploying bitumen to the middle section of the road, supplying metal and deploying bitumen as first and second coat had not been carried out according to the estimate. Despite, that the technical officer had pointed out the above matter, a sum of Rs.112,050 had been overpaid for 90 square meters.
- (iii) Even though, the payable sum for the constructions completed for the length of 775 meters amounted to Rs.512,925 in Development of Parayantharu Kandaswami Malai Road of the Kuchchiveli Divisional Secretariat Division, the works such as site clearing of the road, supplying gravel, laying gravel and compaction had not been carried out. Despite that, the technical officer had pointed out the above matter, a sum of Rs.777,086 had been paid for a length of 1210 meters. Accordingly, it was observed that a sum of Rs.264,161 had been over paid for a length of 435 meters which had not been constructed.

(b) Livelihood Support Project

- (i) The resettlement of the people should have been carried out before implementation of the Livelihood Support Programs for the Resettlement People. Contrary to that, the agri equipment valued at Rs.700,000 had been provided in the year 2016 for 07 families who were not resettled in the Sampur West Grama Niladhari Division of the Muthur Divisional Secretariat, Division.
- (ii) In providing agri equipment to the resettled people, the respective benefits should be provided to the people who had adequate water facilities to utilize them. Contrary to that, the agri equipment valued at Rs.900,000 had been provided for 9 beneficiaries who had not water facilities in the Sampur Grama Niladhari Division of the Muthur Divisional Secretariat Division.
- (iii) The agri equipment valued at Rs.400,000 provided in the year 2016 to 04 resettlement families in the Sampur Grama Niladhari Division of the Muthur Divisional Secretariat Division had been sold.
- (iv) According to the Paragraph iv of the Letter No.JAT/EST/RESET/LIVE/2016 issued on 23 June 2016 by the District Secretariat, selling of animals provided to the beneficiaries under livelihood support projects or to transfer to another person were prohibited. Contrary to that, 07 milky cows valued at Rs.700,000 provided to 07 beneficiaries in 03 Grama Niladhari Divisions of the Kinniya, Divisional Secretariat Division had been sold.

3.4.2 Examination relating to Development of Playgrounds under the Provisions received from Ministry of Sports

Jayanthiwewa Public Playground in the Padavi Sri Pura Divisional Secretariat Division of which constructions completed as at 31 December 2016 had not been utilized for the sports even up to 31 July 2017. As such the amount of Rs.788,519 spent thereon had become a fruitless expenditure.

3.4.3 Examination relating to Development of Rural Playgrounds under the Provisions received from Department of Sports Development

Even though, a sum of Rs.844,200 had been paid for earth filling in the year 2016 for the Development of Seruwila Public Play Ground, the evidence was not made available that the earth had been obtained from outside. Even though, a sum of Rs.64,000 had been paid for removing stones and for levelling of surface, the stones had not been removed even by 30 August 2017.

3.5 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 169 deposits older than 02 years totalling Rs.11,088,121.

3.6 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No.27101.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs.3,746,490. Even though, those outstanding balances remained over periods ranging from 01 year to 06 years, the follow up action on the recovery of the outstanding balances had been at a weak level.
- (b) Loan balances of Rs.318,735 recoverable from 05 officers who retired from the service during the period from 1996 to 2015 had remained as non-moving loan balances during the year 2016 as that action had not been taken according to the Paragraph 04 of Chapter XXIV of the Establishments Code in respect of recovery of balances of advances of the officers who were retired and deceased.
- (c) Action had not been taken to recover the loan balances of Rs.1,102,045 recoverable from 10 officers who had vacated of posts during the period from 2006 to 2016 according to the Paragraph 4.5 and 4.6 of Chapter XXIV of the Establishments Code, and as such those were not recovered even during the year 2016.
- (d) In terms of the Public Administration Circular No.30/2008 dated 31 December 2008, the maximum distress loan advances could be payable to an officer amounted to Rs.250,000.

Contrary to that, the distress loans of Rs.296,370 and Rs.285,740 had been paid in the year under review to an officer of the Divisional Secretariat, Verugal and an officer of the District Secretariat respectively.

3.7 Assets Management

The following observations are made.

(a) Idle and Under utilized Assets

Fourteen motor bicycles, 04 cabs, one jeep and one lorry removed from use in the year 2009 by the District Secretariat and the Divisional Secretariat had been parked idle without taking action either to dispose or to repair and utilize.

(b) A sum of Rs.154,825 had been incurred in the year 2016 to construct a building required for the installation of a water treatment plant received by the Padavi Sri Pura, Divisional Secretariat from the Ministry of Disaster Management on 10 December 2010. Nevertheless, the water treatment plant as well as the building had remained idle even by 20 July 2017.

3.8 Non-compliances

----- Non-compliance with Laws, Rules and Regulations etc.

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

Reference to Laws, Rules and Regulations etc.	Value	Non-compliance
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Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Rs.	

(a) Financial Regulation 94	444,687	Liabilities had been committed exceeding the provisions.
(b) Financial Regulation 371	236,594	Ad- hoc sub-imprests granted to the officers in the Kuchchiveli, Divisional Secretariat in 10 instances had been settled with a delay of a period of one year.

- (c) Financial Regulations 880 - Action had not been taken to deposit securities by the six officers who should deposit security in the Seruwila Divisional Secretariat

3.9 Losses and Damage

The observations on losses and damage revealed during the course of audit test checks are given below.

- (a) Seven vehicles belonging to the District Secretariat and Divisional Secretariats had met with accidents during the period from the year 2002 – 2014 and as such a loss of Rs.2,706,380 had been incurred. Nevertheless, it was not recovered even by 31 December 2016 due to non-completion of the investigations thereon.
- (b) Action had not been taken to settle a sum of Rs.1,652,916 given to Co-operative Wholesale Establishment in the year 2005 to purchase paddy under Treasury-Miscellaneous Advance Account.

3.10 Unresolved Audit Paragraphs

Reference to Report of the Auditor General	Subject under Reference
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Year	Paragraph Number
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2014	3.9 (a)
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Not Transferring assets belonging to other institutions, legally

The land in extent of 372 acres of the Trincomalee Pedro Fort including the buildings, residencies situated thereon in which maintained the District Secretariat up to October 2011 had been announced as an archaeological land and it was informed by the letter No.M/EP/1/7A of the Director General of Archaeology dated 04 January 2011 for transferring the ownership of the land. Nevertheless, the ownership of the land had not been transferred legally even by 30 August 2017.

2014	3.9 (b)	Even though, the land on which situated the District Secretariat, Trincomalee is belonging to the State Timber Corporation, action had not been taken to transfer the legal ownership of this land even by August 2017.
2014	03.13 (c)	The equipment supplied to construct the elephant security fence around an environmental park in the middle of the Wilgama Forest had remained idle insecurely. The construction of respective environmental park had been terminated at present.

3.11 Management Weaknesses

- (a) In acquisition of lands according to Section 33 of the Land Acquisition Act No.09 of 1950, action should be taken to deposit the payable money of compensation in a District Court or in any ordered court if the land owners were deceased before compensation payments made to the land owners. Despite, that two beneficiaries qualified to obtain compensation for the lands acquired for the Gopalapuram Navy Camp in the Kuchchiveli Divisional Secretariat were deceased, two cheques for a sum of Rs.15,400,000 payable to them had been drawn in the name of owners and retained in the office.

- (b) As per the Sections 31 (g) and (h) of the Coast Conservation Act No.49 of 2011, the permission of the Director General of Coast Conservation and Coast Resources Management should be obtained in implementation of development projects in the area around lagoons. However, a sum of Rs.6,903,366 had been paid by the Kinniya and Muthur Divisional Secretariats for the projects of construction of playgrounds and earth filling projects in the areas around the lagoon of the Kinniya and Muthur Divisional Secretariats without being obtained approval.

- (c) The proper approval of the Department of Forest Conservation should be obtained before implementation a construction within the limit of the forest conservation. Contrary to that, the Kakkamunai Playground in the Kinniya Divisional Secretariat Division has been constructed within the Kadolana Reservation limit belonging to the Department of Forest Conservation.

3.12 Human Resources Management

The following matters were observed.

- (a) The position of the cadre of the District Secretariat and the Divisional Secretariats as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	40	35	05
(ii) Tertiary Level	36	15	21
(iii) Secondary Level	825	495	330
(iv) Primary Level	145	119	26
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	1046	664	382
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- (b) As vacancies of 12 posts of the Translators Service had existed, to provide adequate service for the people who are speaking more than 02 languages in the District had been hindrance it.