

## **Head 266 - Report of the Auditor General of the District Secretariat, Vauniya - Year 2017**

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The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No. 32 of 2017 were presented to audit by the District Secretariat. The financial and physical performance reflected from those accounts and the reconciliation statement were audited in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka .

### **1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer and the Accounting Officer**

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The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124 (2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125 (1) (a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

### **1.3 Scope of Audit**

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The audit of the District Secretariat, Vauniya - Head 266 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the District Secretary on 30 May 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

**1.4 Audit Observation**  
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The audit observations of the District Secretariat, Vauniya for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in Paragraph 1.3 above in detail. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in Paragraph 2.1 to 2.16 of this Report. The audit observations revealed in the execution of accountability as the Accounting Officer in accordance with provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka, to ensure the adequacy of the financial administration are summarized and shown in the undermentioned table.

<b>Accountability of the Accounting Officer in terms of Financial Regulation 128 (1)</b> -----	<b>Non - compliance with those provisions by Accounting Officer</b> -----	<b>Reference to the Paragraph of the report which included the Observation</b> -----
Financial Regulation ----- 128 (1) (a)	The work of his Department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized, and that an endeavor is made to complete the programme of work laid down for the year and/or to attain the targets specified.	1. Non - preparation of the Action Plan accurately. 2.1.1 2. Non- maintenance of Registers and Books. 2.13

128 (1) (b)	The organization for financial control and accounting in his Department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received, the authorization of commitments on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefore from public funds.	Obtaining Security Deposits from Public Officers.	2.16
128 (1) (d)	An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	Deficiencies appeared in Public Officers' Advance Account.	2.10
128 (1) (e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time; and, where they are disposed of, such disposal is according to prescribed Regulations and Instructions.	Deficiencies in Assets Management .	2.4
128 (1) (f)	Such information, statements and returns as are called for by the Chief Accounting Officer or the Treasury, are rendered correctly and promptly.	Submission of Annual Performance Report in delay.	2.1.2

128 (1) (g)	Returns showing the progress of collection of dues to Government are rendered regularly to the Chief Accounting Officer.	Deficiencies in Reconciliation Report regarding Public Officers' Advance Account.	2.10
128 (1) (h)	Special arrangements are made to recover outstanding dues and that the officers assigned that task report to him at least once a quarter or as otherwise directed regarding arrears and action pursued to expedite their recovery.	Recovery of arrears loan balances of Public Officers' Advance Account.	2.10.1
128 (1) (m)	An Appropriation Account is rendered to the Chief Accounting Officer at the end of the financial year in respect of each Programme of a Head of Expenditure for which he is responsible as Accounting Officer (See F.R.150) .	Deficiencies appear in Appropriation Account.	2.9
128 (1) (o)	The procedure laid down in Financial Regulations 103 to 108 is adhered to in case of losses to Government by the delays, negligence's, faults or frauds on the part of officers/ employees and surcharges are imposed on officers/employees responsible for such losses in terms of F.R.156 (1) .	Not obtaining Security Deposits from the officers who involved in financial matters.	2.16

## **2. Material and Significant Audit Observations**

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### **2.1 Performance**

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#### **2.1.1 Planning**

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The Action Plan had not been prepared for the year 2017 in terms of Public Finance Circular No. 01/ 2014 dated 17 February 2014 .

#### **2.1.2 Annual Performance Report**

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Even though the Performance Report of the District Secretariat relating to the year under review should be tabled in the Parliament within 150 days after the end of the financial year by the District Secretariat in terms of the Public Finance Circular No. 402 dated 12 September 2002, that report had been tabled in Parliament on 05 June 2018.

### **2.2. Obtaining Supplies and Services through Procurement Procedure**

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A provision of Rs. 69.818 million had been made available for the supplies and services which should be obtained by the District Secretariat performing as per the Government Procurement Guidelines and out of that a sum of Rs 69.790 million had been utilized.

### **2.3 Implementation of Procurement Procedure**

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The following observations are made in respect of the procurements of the Vauniya South Divisional Secretariat.

- (a) Even though the purchases amounted to Rs. 796,279 had been made on the approval of the Provincial Procurement Committee at 06 instances as per the audit test checks carried out, the approval of the District Secretary had not been received even up to 10 November 2017 for the Procurement Committee appointed in the year 2017 .

- (b) Even though the details such as category of goods, type should be clearly stated when calling bids according to Guideline 3.4.2 (a) of the Government Procurement Guidelines a sum of Rs. 199,716 had been paid to purchase 204 plastic chairs without doing so.
- (c) A sum of Rs. 68,500 had been paid on Direct Contract basis to a private institution for the aluminum doors and fixing in the Accounts Division and the Establishment Division in contrary to the terms of the Guideline 3.5 (b) of the Government Procurement Guidelines .
- (d) Although registered suppliers should be selected in terms of Supplement 21 of the Procurement Manual dated 23 February 2012 a sum of Rs. 198,213 had been incurred for the preparation of name boards and printing of family applications without doing so.
- (e) A sum of Rs. 323,550 had been paid to the contract of the partition of the divisions for the field officers at the office upstairs and even though the quotations for the construction contracts should be called from contractors registered including community organizations in terms of Supplement 33 issued on 15 March 2017 with reference to the Guideline 2.14.1 of the Government Procurement Guideline , the purchases had been made from unregistered suppliers.
- (f) The Chief Accountant was appointed as a member of the Procurement Committee and a sum of Rs. 148,000 as members allowance of the Procurement Committee, another allowance amounted to Rs. 88,500 for the participation as a Staff Officer to the same Committee Meetings had also been paid for 11 meetings.
- (g) Even though the payments should be made to the Members of the Procurement Committee, Members of Technical Evaluation Committee and alternate Members only for the participation to such meetings in terms of Section 2.9.1 of the Government Procurement Guidelines , a total of Rs. 39,500 had been paid as Procurement Committee Meeting allowances for 03 officers who had participated only for the Procurement Bid Opening Committee.

## 2.3 Contract Administration

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### District Secretariat – Repair of Circuit Bungalow

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A drainage system had been constructed incurring a sum of Rs. 1,695,374 to drain the water of the circuit bungalow under Project No. GA/ EU/ 2017/ 14 of the year 2017 and a sum of Rs. 85,920 had been overpaid for unfulfilled duties whilst make payments for this work . Further, due to restoration of water taps of the bathrooms despite this circuit bungalow which had been newly completed the constructions but not used, it was observed that the payment made previously amounted to Rs. 29,341 as an uneconomic expenditure.

## 2.4 Assets Management

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The following observations are made.

### Vehicle Utilization

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There were 11 vehicles belonging to the District Secretariat as mentioned below as at the end of the year under review and 117,884 kilometers had been run by these vehicles. A total of Rs. 4,636,418 had been incurred as a sum of Rs. 1,459,305 for fuel and lubricants, a sum of Rs. 398,443 for service of vehicles, Rs. 2,204,504 for vehicle repairs and Rs. 574,166 for insurance of vehicles. Accordingly, a sum of Rs. 39.33 had been spent per kilometer besides the driver's salaries and allowances for the running of vehicles by the District Secretariat.

#### (a) Idle and Underutilized Assets

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The cab which bears the number 252 - 9899 belonging to the District Secretariat had not been used for more than one year.

#### (b) Conducting Board Survey

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Even though the Annual Board of Survey for the year 2017 should be conducted in terms of the Public Finance Circular No. 05/ 2016 dated 31 March 2016 and the Report relating to that should be submitted to the Auditor General before the 17 of March 2018 in terms of the Paragraph 3.1.6 of the said Circular, those reports had been submitted to the Auditor General on 19 April 2018 by the District Secretariat.

## **2.5 Commitments and Liabilities**

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### **2.5.1 Commitments entered in to exceeding Annual Budget Limit**

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It had been entered in to commitments amounted to Rs. 446,097 exceeding the provision made available out of for 04 Objects amounting Rs. 24,226,000 by a sum of Rs. 444,017 without complying to the Paragraph 2 (a) of the Public Accounts Circular No. 255/ 2017 of 27 April 2017 .

## **2.6 Losses and Damages**

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A sum of Rs. 66,300 had been paid for the preparation of invitation cards and banners to the celebration organized as at 01 June 2017 to watch the Economic Development Projects and offer certificates through the National Unity and Reconciliation Bureau and since the foresaid ceremony had not been held on that day, a loss had occurred to the government by the expense of above.

## **2.7 Unresolved Audited Paragraphs**

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Reference to the Audit Paragraphs relating to the District Secretariats included in the Reports of the Auditor General on which corrections had not been made by the District Secretariat to the shortcomings pointed out, are given below.

### **Reference to Auditor General's Report**

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### **Subject Referred**

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**Year**

**Paragraph No.**

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2015

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3. 6 (b)

Due to the quarters belonging to the District Secretariat had been provided to various government institutions, offices of the political authorities and the individuals for more than 05 years, providing housing



facilities to the officers were limited and the rent income of those houses also had lost.

2016

5.1 (a)

The three-wheeler which bears number 17-8519 belonging to the District Secretariat had not been used for more than two years.

Action had not been taken to acquire the ownership of 07 vehicles which are being used by the District Secretariat.

## 2.8 Management Weaknesses

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### **District Secretariat , Vauniya – Leasing of Government Lands**

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The following observations are made.

- (a) Sufficient actions had not been taken to recover the taxes amounted to Rs. 1,605,315 which were receivable for the Leasing of government lands to 08 persons in the Divisional Secretary's land area for a period of 30 years as at 31 December 2016 . Further, actions had not been taken to terminate the tax immediately under the Provisions of Part X of the State Land Ordinance No. 08 of 1947 and to obtain the possession of that land back to the lessor.
- (b) Actions had not been taken to collect any tax levied from three leaseholders thus the taxable period has now come to an end and the interest for arrears of three taxpayers had not been recovered in due course.
- (c) Even though the License could be issued only one acre of land and muddy land License to each family according to the Land Development Ordinance, the license had been obtained by 76 families for 217 ½ acres and 108 perches of land in extent.

## 2.9 Utilization of Provision made by Parliament for the Execution of Activities

The particulars relating to the provision made available, utilization and savings for the 05 years period ended 31 December 2017 and the audit observations in respect of that are appear below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of Net Provision
-----	-----	----- Rs. Million	----- Rs. Million	----- Rs. Million	-----
2013	Recurrent	165.08	145.24	19.83	12
	Capital	32.56	32.55	0.01	0.03
	<b>Total</b>	<b>197.64</b>	<b>177.79</b>	<b>19.84</b>	<b>10</b>
2014	Recurrent	155.35	150.45	4.90	3
	Capital	148.10	147.83	0.26	0.17
	<b>Total</b>	<b>303.45</b>	<b>298.28</b>	<b>5.16</b>	<b>1.7</b>
2015	Recurrent	186.63	186.25	0.38	0.2
	Capital	76.62	75.82	0.80	1.04
	<b>Total</b>	<b>263.25</b>	<b>262.07</b>	<b>1.18</b>	<b>0.44</b>
2016	Recurrent	194.9	193.63	1.27	0.65
	Capital	60.00	59.82	0.18	0.3
	<b>Total</b>	<b>254.9</b>	<b>253.45</b>	<b>1.45</b>	<b>0.56</b>
2017	Recurrent	199.50	196.51	2.99	1.5
	Capital	82.00	81.39	0.61	0.74
	<b>Total</b>	<b>281.50</b>	<b>277.90</b>	<b>3.60</b>	<b>1.27</b>

## **Appropriation Account**

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The following observations are made.

### **(a) Overprovisions Made Available**

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- (i) The additional provisions that had been obtained for 02 Objects by Financial Regulations 66 had been saved in 23 per cent and 51 per cent respectively.
- (ii) A total of Rs. 3.8 million had been made available for 02 Objects and because of only a total of Rs. 3.27 million out of the provisions related to the expenditure objects, the surplus had been 13 per cent and 16 per cent out of net provisions.

### **(b) Utilization of Funds provided by other Ministries and Departments**

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The following observations are made.

- (i) A provision totalled to Rs. 2,014.7 million had been granted as Rs. 1,990.1 million, Rs. 24.6 million for the 25 other Ministries and 15 Departments for various tasks respectively. Only a total of Rs. 1,905.7 million out of that had been utilized by the end of the year. Accordingly, the savings had been recorded a sum of Rs. 109 million or ranging from 5 per cent to 16 per cent out of the provisions made.

#### **(ii) Department of Divineguma**

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The fuel consumption of the vehicle No. NPPC 0804 is 7 kilometers per liter and this vehicle should have run 980 kilometers in each month for fuel allowance which obtains by the assigned officer. Due to the distance driven during the 10 months period from January to October 2017 was 4,142 kilometers, a sum of Rs. 101,413 had been saved from the imprest obtained for fuel..

#### **(iii) Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religions**

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Following observations are made regarding the housing project which is being constructed by the Ministry.

- ❖ Although a valance board in length of 117 feet for the houses under Sub Item No. 14 of the Estimate should be fixed, a sum of Rs . 707,850 and Rs. 1,351,350 had been paid respectively for 55 houses in the Vavuniya South Divisional Secretariat Division and 105 houses in the Vavuniya Divisional Secretariat Division which did not carry out this task.
- ❖ As a result of the total amount of money was paid by the Vavuniya Divisional Secretariat for 15 houses and for two houses in Divisional Secretariat office Settikulam for on fully incompleted vacant houses, a sum of Rs. 730,000 and Rs. 188,000 had been overpaid respectively.
- ❖ The residents had not resided in 14 houses belonging to the Vavuniya South Divisional Secretariat where the construction work had been completed and 06 houses belonging to the Settikulama Divisional Secretariat for a period of one year.
- ❖ Even though the technical instructions and directions appear on Sections 1.5 and 1.4 in the Agreement relating to the Housing Scheme should be provided by the Divisional Secretariat to construct the houses, a house that had not been constructed in a proper standard in the office area had collapsed.
- ❖ Despite a house with a land of 02 roods in extent belonging to a person in Kandasaminagar Grama Niladhari Division of Settikulam Divisional Secretariat,a land in extent 02 acres for a foresaid type of house had been obtained.

## **2.10 Advances to Public Officers' Account**

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### **2.10.1 Limits Authorized by Parliament**

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The limits authorized by the Parliament for the advances to Public Officers Account of the District Secretariat Item No. 26601 and the actual amounts are given below.

<b>Expenditure</b>		<b>Receipts</b>		<b>Debit Balance</b>	
<b>Maximum Limit</b>	<b>Actual</b>	<b>Minimum Limit</b>	<b>Actual</b>	<b>Maximum Limit</b>	<b>Actual</b>
<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>
16.0	15.9	12.0	12.2	50.0	40.6

### **Non- recovery of Outstanding Loan Balances**

A sum of Rs. 106,659 had remained in arrears from an officer who had vacated his post as per the Reconciliation Statement furnished to audit and although that arrears balance had lasted for more than 05 years, that arrears loan balance had not been recovered .

### **2.11 Imprest Account**

The total of the balance under the Imprest Account No. 7002-0-0-284 /17 of the District Secretariat as at 31 December 2017 was Rs. 36,456 . The following observations are made regarding the imprest accounts maintained by the District Secretariat

- (a) As per the Imprest Estimate prepared by the District Secretariat the details in respect of the imprests expected to be obtained monthly , imprests requested monthly , and the imprests received are appear below.

<b>Month</b>	<b>Imprest should be Requested as Planned</b>	<b>Imprest Requested</b>	<b>Imprest Received</b>	<b>Difference between Imprest Planned and Requested</b>	<b>Difference between Imprest Requested and Imprest Received</b>
	<b>Rs . Million</b>	<b>Rs . Million</b>	<b>Rs . Million</b>	<b>Rs . Million</b>	<b>Rs . Million</b>
January	28.0	28.0	34.8	00	(6.8)
February	38.0	38.0	37.4	00	0.6
March	58.8	58.8	48.8	00	10.0

April	84.8	84.8	59.4	00	25.4
May	154.3	154.3	38.8	00	115.6
June	154.3	154.3	73.9	00	80.5
July	169.3	169.3	205.0	00	(35.7)
August	370.7	370.7	301.9	00	68.8
September	476.4	476.4	211.9	00	264.5
October	524.6	524.6	344.5	00	180.1
November	579.9	579.9	334.4	00	245.4
December	620.5	620.5	444.8	00	175.7
<b>Total</b>	<b>3,259.6</b>	<b>3,259.6</b>	<b>2,135.6</b>	<b>00</b>	<b>1,124.1</b>

(b) Even though the imprest should be settled immediately within 10 days after the completion of the task for which it is granted as per the Revised Financial Regulation 371 (5) by the Public Finance Circular No. 3/ 2015 dated 14 July 2015 the ad hoc sub-imprest totalled to Rs. 90,000 relating to 03 occasions had been settled ranging from 01 month to 04 months delay after completion of the task.

## 2.12 General Deposit Accounts

The total of balances of 04 General Deposit Accounts under the District Secretariat amounted to Rs. 86.2 million as at 31 December 2017 and a sum of Rs. 6.8 million which was received for various purposes by other Ministries and Departments had been retained in the General Deposit Account from three months without fulfilling the relevant functions.

## 2.13 Non - maintenance of Registers and Books

It was observed in audit test checks that the District Secretariat had not maintained the below mentioned Registers.

	<b>Type of Register</b>	<b>Relevant Regulation</b>
(a)	Register of Liabilities	Financial Regulation 214
(b)	Register of Security Deposits	Financial Regulation 891 (I)

## 2.14 Non – compliance

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

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

<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
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	<b>Rs.</b>	
<b>Statutory Obligations</b>		
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<b>(a) Establishments Code of Democratic Socialist Republic of Sri Lanka</b>		
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(i) Paragraph 9.1 of Chapter VIII	29,338	Even though it should be confirmed that the officers had attended to work on the day before or after a public holiday, in contrary to that 07 instances from the District Secretariat, 10 instances from the Department of Divineguma were observed at the audit test checks carried out.
(ii) Paragraph 10.1 of Chapter VIII	22,611	Even if holidays pay cannot be obtained for the day to day departmental work, holiday pays had been made for normal duties as per the holiday works approval letter of the officers.

(iii) Paragraph 10.1 (a) of Chapter VIII 22,368 Even though the employee should complete 08 hours of service to work on holiday in terms of Paragraph 10.1 of Chapter VIII of Establishments Code, the Payments had been made whilst the period of service not completed at 09 occasions.

(b) **Financial Regulation of Democratic Socialist Republic of Sri Lanka**  
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(i) Financial Regulation 104 (1) (a), (3) (a) and (4) - Actions had not been taken to Determining the responsible persons, issuing a Preliminary Report and issuing a Full Report in terms of Regulation in respect of the vehicle PA 4891 which met with an accident in the month of July in the year under review.

(c) **Public Administration Circulars**  
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(i) Public Administration Circular No. 22/ 99 dated 08 October 1999 - Even if the allocated vehicles are used for personal use, they should be charged a sum of Rs. 350 from the monthly salary of the officer , in contrary to that the Chief Internal Auditor had not been charged the use of the allocated vehicle for personal use during the year under review .

(d) Provincial Land Commissioner General's Circular No. 2004/ 05 & 2005 /11 and Land Commissioner's Circular No. 2008/ 04 - Land Development Licenses (LDO) had been issued for the following persons in contrary to the Circular .

<b>Person</b>	<b>No. of License</b>
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(i) Grama Niladhari	21



		(ii) Minors	03
		(iii) To Government Officers	182
		(iv) To persons who obtained foreign citizenship	58
(e)	Circular of Secretary of the Ministry of Environment No. 04/ 2010 of 19 December 2010	-	Although it is not possible to cut plants such as Palu, Burutha, it had been permitted to cut off 374 and 77 Palu, Burutha trees respectively in the state lands given to the private owners by the Divisional Secretary .
(f)	Circular of Provincial Land Commissioner No. 2005/ 06 and the Circular of Commissioner General of Lands No. 2002/ 05	-	License for Lands had been granted to 49 government officials in contrary to the Sections 104,106 and 109 of the Land Development Ordinance.

## 2.15 Human Resources Management

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### 2.15.1 Approved Cadre, Actual Cadre and expenditure for Personal Emolument

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The following observations are made.

- (a) The particulars in respect of the Approved Cadre, Actual Cadre and the Vacancies as at 31 December 2017 for the achievement of the functions of the District Secretariat are given below. The District Secretariat had incurred a sum of Rs. 152.7 million for the Object of personal emoluments for the year under review

	<b>Category of Employees</b> -----	<b>Actual Cadre</b> -----	<b>Actual Cadre</b> -----	<b>Number of Vacancies</b> -----
(i)	Senior Level	33	28	05
(ii)	Tertiary Level	20	09	11
(iii)	Secondary Level	451	352	99
(iv)	Primary Level	67	60	07
(v)	Casual/ Contract	-	-	-
	<b>Total</b>	<b>571</b> =====	<b>449</b> =====	<b>122</b> =====

(b) A sum of Rs. 723,896 had been paid as salaries and allowances during the year under review for the two employees who were recruited on casual basis for 02 vacancies existed in Office Assistant posts in the District Secretariat and actions had not been taken to recruit permanent staff members for these positions up to now.

## 2.6 Government Officers Required to give Security

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The Security Deposits had not been kept by 99 officers who collect money and in charge of the receiving of cash and the officers in charge of warehouse in the District Secretariat and Divisional Secretariats in terms of Financial Regulation 880.