

## **Head 269 - Report of the Auditor General of the District Secretariat, Batticaloa – 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, Batticaloa. The financial and physical performance reflected from the account and the reconciliation statement was 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, Batticaloa – Head 269 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 06 July 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, Batticaloa for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.13 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 that Provision by the Accounting Officer</b>	<b>Reference to the Paragraph included Observation</b>
Financial Regulation		
128(1)(a) The work of his Department is planned and carried out with due despatch, 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 endeavour is made, to complete the programme of work laid down for the year and/ or to attain the targets specified.	<ol style="list-style-type: none"> <li>1. Non-preparation of Action Plan properly.</li> <li>2. Non-preparation of Budget Estimate properly.</li> <li>3. Deficiencies in preparation of imprests estimate</li> </ol>	<p>2.3.1</p> <p>2.9(a)</p> <p>2.11</p>
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;	<ol style="list-style-type: none"> <li>1 Deficiencies in implementation of public service</li> <li>2 Delay in implementation of the Projects</li> </ol>	<p>2.8, 2.9(c)(i)-(v)</p> <p>2.3.2</p>
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	Deficiencies in assets recording.	2.4

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.

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 money.	Failure to recover outstanding loan balances under Advances to Public Officers Account.	2.10
128 (1)(l)	A Statement of Committed Expenditure under each Programme of a Head of Expenditure is sent at the end of every month to the Chief Accounting Officer	Deficiencies in specific appropriation accounts	2,9(b)
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, negligences, faults or frauds on the part of officers / employees and surcharges are imposed on officers / employees responsible for such losses in terms of FR 156(1)	1 Loess and damages 2 fund misuse of transactions	2.7 2.6

**2. Material and Significant Audit Observation**

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**2.1 Key Activities of the District Secretariat**

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- (a) Distribution and management of poverty reduction initiatives.
- (b) Administration of disaster relief and rehabilitation projects.
- (c) Planning and oversight of development projects
- (d) Coordination of election.
- (e) District project administration and direction
- (f) Acceptance of National identity cards and passport applications.
- (g) Revenue collection.
- (h) Coordination with non- government organizations and international non- government organizations the disaster relief activities.
- (i) Human resource development

## 2.2. Institutions under the District Secretariat and Activities carried out

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 Institutions established under the District Secretariat and the role of those institutions is given below.

<b>Institutions under the District Secretariat</b>	<b>the Authority for the Establishment</b>	<b>the Role of the Institution</b>	
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(i) Koralaipattu			
(ii) Koralaipattu North		Implementation of administration and development activities assigned by the Central Government and Provincial Councils at regional level.	
(iii) Koralaipattu West			
(iv) Koralaipattu South			
(v) Koralaipattu Central	Act No.58 of 1992 of the Establishment of the Divisional Secretariats.		
(vi) Eravur Town			
(vii) Eravurpattu			<ul style="list-style-type: none"> <li>• Counter signing of Request letters, application form and resident certificates</li> </ul>
(viii) Manmunai North			<ul style="list-style-type: none"> <li>• Information providing under Information Act</li> </ul>
(ix) Manmunai West		<ul style="list-style-type: none"> <li>• Issuing National Identity cards</li> </ul>	
(x) Manmunaipattu	<ul style="list-style-type: none"> <li>• Issuing the lands permit.</li> </ul>		
(xi) Manmunai South and Eruvilpattu	<ul style="list-style-type: none"> <li>• Involving of poverty reduction initiatives</li> </ul>		
(xii) Kattankudy	<ul style="list-style-type: none"> <li>• Issuing of birth and death certificates.</li> </ul>		
(xiii) Porativupattu	<ul style="list-style-type: none"> <li>• Providing of payment of medical benefits</li> </ul>		
(xiv) Manmunai South West	<ul style="list-style-type: none"> <li>• Registration of Societies</li> <li>• Issuing of vehicles licenses.</li> <li>• Involving of Contract works</li> </ul>		

## 2.3 Performance

### 2.3.1 Planning

According to the State Finance Circular No 01/2014 dated 17 February 2014, the action plan had been prepared for the year 2017. Accordingly, the following deficiencies were observed relating to the Action Plan prepared to achieve expected results 14,777 main activities in the District Secretariat and 14 Divisional Secretariats established under the District Secretariat.

- (a) Out of 14,777 main activities expected to achieve, there had been included only 12,553 main activities. This was 69 per cent of allocated provision. Therefore, due to unable achieve of all activities, 31 per cent had been saved from allocated provisions.
- (b) The limited organization structure, approved cadre and actual cadre updated had not been submitted during the year under review.
- (c) The Imprest Requirement Plan and Action Plan had not been prepared for the annual activities.

### 2.3.2 Non-execution of Activities

#### Delays in implement of Projects

The delays had been observed to implement following project in during the year under review by the District Secretariat.

Project	Estimated Cost	Commencement date	To be complete date	Completed date	Expenditure as at 31 December 2017	Reason for delay
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	Rs. million				Rs. million	
Hospital building of Navarkadu Manmunai West	3	07.07.2017	06.10.2017	10.04.2018	2.56	Action had not been taken to complete the final works by the Divisional Secretariat to be completed within specify period by the contractor
Fishermen rest house at Koralaipattu	5.5	06.10.2017	14.12.2017	23.03.2018	5.44	Action had not been taken to complete the final

works by the  
Divisional  
Secretariat to be  
completed within  
specify period

## 2.4 Assets Management

### Idle Assets

It was observed during the course of audit test checks of the assets of the District Secretariat. That certain assets categorized below had been idle.

Category of Assets	Number of Units	Idle Period
(i) Motor Vehicles	48	10 years
(ii) water pump	200	01 – 27 years

## 2.5 Commitments and Liabilities

### Unsettled Liabilities

Assessment tax of Rs. 190,668 payables to the Municipal Council, Batticaloa for the period 2006 to 2013 on behalf of the building belonging to the District Secretariat had not been settled up to 31 May 2018.

## 2.6 Transactions in the Nature of Financial Frauds

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

- (a) Action had not been taken against responsibility officer who approved the compensation amounting to Rs. 6.3 million to 03 persons submitted illegal document for the lands acquired for Tsunami Resettlement Housing Project at Thiraymaduvil by the Manmuai North Divisional Secretariat.
- (a) 09 beneficiaries Entailed low income people eewly beneficiaries awareness programme relating at Koralaipattu Divineguma in Livelyhood Development programme of Department of Divineguma under the Divineguma National Programme had been selected and the working officers had withdrawal Rs. 325,000 fronded in manner Received from Bank their bank account. Further, this matter was confirmed by the beneficiaries through write complaint action had not been taken against manager and other officer.

## 2.7 Losses and Damage

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Although losses valued Rs. 1,323,289 due vehicle accident in the years 2011, 2012, 2014 had incurred, and 2017, action had been not been taken up to the audit date.

## 2.8 Management Weakness

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

- (a) The Divisional Secretary had been allocated another a private institution for established a tourist hotel the land without get the approval from Land Commissioner General and District Secretary due to there had not been utilized granted land in purpose established a private weaving centre at valued Rs. 30 million based 30 years lease in extended 0.46 hectare in order given employment to 500 youth and women in that area by the Koralaipattu Central Divisional Secretariat. Even though result vulnerabilities in that land public living area, action had not been taken up to now.
- (b) According to the circular No. 06/2016 of the Secretary of the Ministry of Women Affairs and Child Care, although mentioned that should issue the application in respect period to give nutrition food item to pregnant mother throughout for 10 months, 2,654 vouchers valued at Rs. 5,308,000 had remained between ranging from 02 to 210 days due to relating application obtained by the 14 Divisional Secretariat had not been achieved that purpose.
- (c) Even though a central medical building valued at Rs. 2,868,238 during the year under review had been constructed the medical facilities to give for public in Mavadymunai area by the Manmunai South West Divisional Secretariat, that building had not been utilized intended purpose up to 29 June 2018.
- (d) Even though the provision had been made for projects giving toilet facilities to 50 fishing families under “Diyavira Piyasa” Programme by the Ministry of Fisheries and Aquatic Resources Development in 2017, they could not been obtained the toilet facilities due not given proper to 37 families and out of allocated amounts to 17 families, sum of Rs. 510,000 had been saved due who was selected improper the beneficiaries.
- (e) Even though the Manmunai North Divisional Secretariat had been completed on 17 May 2018 a Community Centre constructed at amount of Rs. 1,485,000 under provision of the Ministry of National Policy and Economic, the Community Centre had not been utilized intended purpose up to date.
- (f) Even though the Manmunai North Divisional Secretariat had been given a land for long term lease base, action had not been taken to recover of the lease installment amounting of Rs. 90,000.

- (g) Action had not been taken relating 14 Telecommunication Towers illegal constructed in state land by various private Telecommunication Institution from the year 2009 by the Eravur Pattu and Koralapattu Divisional Secretariats and District.

## 2.9 Utilization of Provisions made by Parliament to execute Activities

The particulars relating to the provisions made to the District Secretariat and utilisation and savings for the 05 years period ended 31 December 2017 are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs. million	Rs. million	Rs. million	
2013	Recurrent	542.5	527.9	14.6	2.7
	Capital	974.2	974.1	0.1	-
	<b>Total</b>	<b>1,516.7</b>	<b>1,502</b>	<b>14.7</b>	<b>1</b>
2014	Recurrent	443.3	442.2	1.1	0.2
	Capital	231.6	231.6	-	-
	<b>Total</b>	<b>674.9</b>	<b>673.9</b>	<b>1.1</b>	<b>0.2</b>
2015	Recurrent	543.7	538.2	5.5	1
	Capital	214.3	63.2	151.1	70.5
	<b>Total</b>	<b>758</b>	<b>601.4</b>	<b>156.6</b>	<b>20.7</b>
2016	Recurrent	574	560.3	4.7	0.8
	Capital	323	304.8	18.2	5.6
	<b>Total</b>	<b>897</b>	<b>874.1</b>	<b>22.9</b>	<b>2.6</b>
2017	Recurrent	577.6	574.4	3.2	0.6
	Capital	274	162.7	111.3	40.6
	<b>Total</b>	<b>851.6</b>	<b>737.1</b>	<b>114.5</b>	<b>13.4</b>

The following observations are made in these connections

### (a) Preparing of Budget

#### Provisions made without considering for curried out activities within proposal period

According to the cost estimate to curried out building construct by the District Secretariat, even though there had been made adequate provision, only feasible study and receive processor function had been made end of the year, thus there had saved sum of Rs. 110.5 million or 58 per cent out of total provision.

**(b) Appropriation Accounts**

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The following observations are made.

**(i) Excess expenditure**

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Excess expenditure sum of Rs. 934,050 had been incurred under recurrent expenditure code.

**(ii) Excess of Provisions**

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Excess expenditure sum of Rs. 2.7 million had been incurred under 02 capital expenditure codes and out of that, had indicated savings between from 20 per cent to 22 per cent out of total provision due to only Rs. 2.16 million had utilized

**(c) Utilization of Provisions made available by other Ministries and Departments to District Secretariat**

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The provisions totalling Rs. 2,922,286,613 had been made available by other 30 Ministries, 19 Departments and Offices of the President and the Prime Minister for various activities. Out of that, only a sum of Rs. 2,600,781,814 including of Rs. 2,540,689,854 and Rs. 60,091,960 respectively had been utilized by the end of the year under review. Accordingly, the savings out of the provisions made available amounted to only a sum of Rs. 321,504,799 including of Rs.319,046,955 and Rs. 2,457,844 respectively or 11 per cent and 1 per cent. The following observations are made in these connections.

**(i) Sinnakalapoddamadu Iluppadyenai canal rehabilitation**

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A contract signed sum of Rs. 4,704,000 for Sinnakalapoddamadu Iluppadyenai canal rehabilitation by the Divisional Secretariat had been completed on 06 September 2017. The following observations are made in these connections

- Even though valued of Rs. 5,187,771 for canal rehabilitation had called open quotation advertised in newspaper to amount Rs. 5,880,000 without estimate by Divisional Secretariat, the amount of Rs. 692,229 had over paid for that.
- There had been cracked in 14 places on wall surface due had place the cross wall to safe for landslip in west site to canal dam and had placed hole in the wall.
- The wall had been fallen due to without proper feasible study before start the work, estimate accordance to suitable location proper monitoring through the responsive officer. Hence, there was unable to get the water to paddy land of 500 acres in those areas. According to that, expenditure spent for that canal rehabilitation was fruitless

**(ii) Batticaloa canal boundary plan**  
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A provision of Rs. 37,864,000 had been provided to Divisional Secretariat in years 2015 and 2016 to place 12,800 concrete poles under the Batticaloa canal boundary plan by the Department of Marine and Marine environment Development under the Ministry of Mahavelly Development and Environmental. The following observations were made during the course of audit test checks carried out in this connection.

- Although approval of procurement committee to place concrete poles use the allocation amount to this project should be obtained, country of No. 2.14.1 of Guideline, agreement had been signed with three contractors same time without approval from the procurement committee of the Department.
- Even though mentioned in the approved estimate that surface of concrete poles should be bended, surface of 3,837 poles had not been bended according the estimate.
- According to the approved map of the concrete poles, even though the poles should be placed to depth of 450 mm of out of soil and high of 900 mm, to depth of 200 mm of out of soil the 1,055 poles and to depth of 750- 800 mm of out of soil the 1,219 poles respectively had been placed that, as per the written report from Technical Officer had been confirmed.
- 3,713 concrete poles unused for canal boundary had been used to boundary of marine lake.

**(iii) Goat granted under the Livelihoods Aid**  
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A sum of Rs. 9,800,000 had been provided to the Koralaipathu North Divisional Secretariat in 2017 by the Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs, to grant goat to 98 beneficiaries under the livelihood Development plan. The following observations were made during the course of audit test checks carried out in this connection.

- Even though, the goats purchased should be between age 02 and 01 and between weight 25 kg and 30 kg, as per technical details of VI of Bid Documents, country of that, 180 goats in less than one year and two year and 184 goats in less than 25 kg had been purchased by the Divisional Secretariat and made payments for that.
- Purchased 380 goats had been granted to beneficiaries without the health certificate and technical details of bide documents. As such, it was confirmed from the written statements obtained from beneficiaries that out of granted goats, 13 goats had died within in one month period concerned.

**(iv) Housing Plan for displaced peoples by the problem prevailing in country**

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A sum of Rs. 856 million had been provided by the Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs in year 2017 to 107 construct houses for 47 beneficiaries resettled in the Eravurpattu Divisional Secretariat Area. According to the circular of the Secretary to the Ministry, only beneficiaries who obtained high marks should be selected based priority. Even though, beneficiaries who obtained more than 80 be there, beneficiaries who obtained less marks ranging from 45 to 80 had been selected without consider of the instructions of the Circular and made payments for construction of house to they by the Divisional Secretary.

**(v) Implement of Reduce for flood disaster Project**

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A sum of Rs. 15.7 million had been spent in year 2017 to construct of closed drainage to Seddypalayam North Grama Niladary division of Manmunai South Eruvipattu Divisional Secretariat under the Reduce for flood disaster Project by the Asia Development Bank and Ministry of Disaster Management. The following observations are in this connection.

- As per mentioned in letter No. MDM/PD/ADB/2016 dated 27 December 2016 send by the Ministry of Disaster Management, concrete road and drainage to length of 365 km to Seddypalayam North Grama Niladary division to Seddypalayam North Grama Niladary division use funds provided by the Asia Development Bank for this Project amounting of Rs. 12.5 million should be established. Country for that, closed drainage only length of 346 km to value at Rs. 10.4 million had been completed and made the payments for that.
- A contract agreement had been signed by the District Secretariat to complete the drainage works by 02 August 2017 without consider that funds given through the Ministry of Disaster Management by the Asia Development Bank for about mentioned the Project had been stopped on 13 June 2017. Therefore, out of 288 km drainage, only 113.5 km had closed on top and another 32 km had abandoned in condition dig the sand, due the Asia Development Bank had been stopped the funds on above date.
- According to the Conditions of the Contact, the approval should be obtained from the Divisional Secretariat for the changes of the works by the contractor. However, the 09 works had been changed without obtained approval from District Secretariat and a sum of Rs. 1,251,430 had been paid additional for that to contractor.
- Further, a sum of Rs. 3.75 million for this project had been allocated to extent by the length of 38 km. Country of No. 2.14.1 of Government

Procurement Guideline, the contract had awarded by the Divisional Secretariat to two Community Development Society.

- Even though funds provision had been allocated by the Asia Development Bank and Ministry of Disaster Management without proper proposal reports and feasibility study to this project in Seddypalayam North, the target had not been achieved by this project.

## 2.10 Advances to Public Officers Account

### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the District Secretariat, Item No. 26901 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
44.00	44.39	28.00	34.84	125.00	111.45

### Non-recovery of Outstanding Loan Balances

According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs. 169,356. Even though, those outstanding balances remained over periods ranging from 01 year to 02 years, the District Secretariat had failed to recovery of outstanding balances had been at a weak level.

## 2.11 Imprest Account

The Treasury had not been given to implement for that work at end of the year due not implemented specific work as planned. Thus, it was observed that 12 works valued to Rs. 390,815,339 had not completed.

## 2.12 General Deposit Accounts

The balances of 07 General Deposit Accounts of the District Secretariat as at 31 December 2017 totalled Rs. 133,006,403. The following observations are made in this connection.

- (a) Action had not been taken to use for rehabilitation of temple amounting of Rs.200,000 received during the year under year.
- (b) According to the registers maintained at the Treasury, a sum of Rs. 563,837 continued to be shown in the Deposits Account since 1983. However, the balance concerned had not been shown in the registers maintained at the District Secretariat. Action had not been taken to identify and settle this up to now.

## 2.13 Human Resources Management

### 2.13.1 Approved Cadre, Actual Cadre and Expenditure for Personal Emoluments

The particulars on approved cadre, actual cadre, vacancies and the excess cadre as at 31 December 2017 to execute the functions as mentioned in paragraph 2.1 above are given below. The District Secretariat had incurred a sum of Rs. 493.61 million for Personal Emoluments Expenditure Category for the year under review. Accordingly, the per capita expenditure for single person amounted to Rs. 510,988.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>	<b>Excess Cadre</b>
(i)	Senior Level	49	47	02	-
(ii)	Tertiary Level	44	11	33	-
(iii)	Secondary Level	919	778	141	-
(iv)	Primary Level	142	122	20	-
(v)	Others (Casual)	-	08	-	08
	<b>Total</b>	<b>1,154</b>	<b>966</b>	<b>196</b>	<b>08</b>

The following observations are made in this connection.

- Action had not been taken on 03 drivers had been which attached based contract in excess of the approved cadre during the year under review and had failed to obtain prior approval relating excess cadre.
- Permanent officers had not been appointed for 6 Administrative officers in the post of vacancies. As such, the administration work of Divisional Secretariats had become weak.
- It had not been taken action to fill 196 vacancies the approved cadre appropriately by the end of the year under review.