

## **Head - 268 District Secretariat /Kachcheri, Kilinochchi**

### **Report of the Auditor General - Year 2014**

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Paragraph 1 and 2 of this report contain the general information on the Accounts of the District Secretariat / Kachcheri, Kilinochchi and the audit observation appears in paragraph 3 onwards.

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

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- (a) Poonakary.
- (b) Karachchi.
- (c) Pachchilapalli.
- (d) Kandawalai

#### **1.1 Scope of Audit**

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The audit of the Appropriation Account, Revenue Account and the Reconciliation Statements including the financial records, books, registers and other records of the District Secretariat, Kilinochchi for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Accounting Officer on 30 July 2015. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and the 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 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 the Reconciliation Statements.

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The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements, whether due to fraud or error.

## 2 Accounts

### 2.1 Appropriation Account

#### (a) Total Provision and Expenditure

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The total net provision made for the District Secretariat amounted to Rs. 187 million and out of that Rs. 182.81 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision amounted to Rs. 4.19 million or 2.24 per cent of the net provisions. Details are given below.

Expenditure	<u>As at 31 December 2014</u>			Saving as a percentage of total Net Provision
	Net Provision	Utilization	Savings	
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	Rs. Million	Rs. Million	Rs. Million	
Recurrent	145.45	141.38	4.07	2.80
Capital	41.55	41.43	0.12	0.28
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<b>Total</b>	<b><u>187.00</u></b>	<b><u>182.81</u></b>	<b><u>4.19</u></b>	2.24

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

Provisions totalling Rs. 262.36 million had been received from 17 Ministries and 13 Departments respectively for various activities and out of this, sums totalling of Rs.247.01 million had been utilized. Accordingly, the savings was Rs. 2.11 million and it was 0.8 per cent of the total provisions received.

**2.2 Advance Account**

**2.2.1 Advances to Public Officers Account**

**Limits Authorized by Parliament**

The limits authorized by Parliament for the Advances to Public Officers Accounts of the District Secretariat and the actual amounts are given below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit on Expenditure	Actual	Minimum Limit on Receipts	Actual	Maximum Limit on Debit Balance	Actual
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
26801	12.00	10.35	6.00	10.03	49.00	41.22

**2.2.2 Imprest Account**

The imprest balance of the Account No. 7002/0000/00/0286/0014 of the District Secretariat as at 31 December 2014 amounted to Rs.333, 811.

### **2.3 General Deposit Accounts**

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The balance of the General Deposit Account No. 6003/0000/00/0044/000 of the District Secretariat as at 31.December 2014 totalled Rs. 32,851,256.

### **2.4 Audit Observation**

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According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the Management Audit Report referred to in paragraph 1.1 herein, the Appropriation Account and the Reconciliation Statement of the District Secretariat, Killinochchi have been prepared satisfactorily. The material and important observations out of the observations included in the Management Audit Report appear in paragraph 3 herein.

## **3 Head 268 District Secretariat / Kachcheri, Kilinochchi.**

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### **3.1 Presentation of Accounts**

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Even though the District Secretariat should present the Revenue Accounts to audit by 31 March 2015. Those accounts had not been presented to audit even by 30 November 2015.

### **3.2 Non-maintenance of Registers and Books**

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It was observed during audit test checks that the District Secretariat had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

<b>Type of Register</b>	<b>Relevant Regulation</b>	<b>Observation</b>
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Register of losses	FR 110	Not updated
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978	Not updated

Register of Computer and Accessories	Treasury circular No. IAI/2002/02/of 28.11.2002	Not maintained
Register Loans (CC10)	FR 506	Not updated
Register of Telephone calls	FR 845(1), 845(3)	Not updated

### 3.3 Appropriation Account

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#### 3.3.1 Budgetary Variance

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The following observations are made.

- (a) The expenditure estimates had been prepared on an ad hoc basis and provision made under 10 Objects had not been partly utilized by District Secretariat and Divisional Secretariat as indicated in my Management report. Original provisions in 10 Objects had been reduced by Rs. 1,807,000 and provisions in 05 objects had been increased by the same amount.
- (b) Satisfactorily reasons had not been given for the transfer of funds between Object and explanation furnished for the saving had been inadequate.
- (c) Capital expenditure amounting Rs. 725,553 had been erroneously classified and brought to account under various Objects of recurrent expenditure in 07 instances.
- (d) Capital expenditure amounting Rs. 1,933,750 of 01 Object Code had been erroneously classified and brought to account under various other Object Codes of capital expenditure in 07 Instances.
- (e) Recurrent expenditure amounting Rs. 327,270 had been erroneously classified and brought to account under various Objects of capital expenditure in 07 instances.

### **3.3.2 Utilization of Provision made available by other Ministries and Departments**

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The entire provision made by the Department of Agriculture, Head No 285 amounting to Rs. 75,000 had been saved.

### **3.4 Imprest Accounts**

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In terms of Financial Regulation No. 371 only Rs.20,000 could be paid as ad-hoc sub-imprest to a staff officer at a time. However, contrary to that sub-imprest amounting to Rs. 915,000 had been issued to an officer in 02 instances exceeding the above limit.

### **3.5 General Deposit Account**

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Following observations are made.

- (a) Paddy purchasing advances aggregating to Rs 7,000,000 paid to 03 institutions had been outstanding for more than one to two years.
- (b) Collections from the issue of temporary route permits amounting to Rs.5,576,468 had been kept in the deposit account without being remitted to relevant authority.
- (c) A sum of Rs. 3,750,000 given by the Provincial Ministry of Health, Northern Provincial Council for land purchase for the Hospital at Poonagary had been deposited in a fixed deposit on 28 May 2013. Action had not been taken to utilized that money for the intended purpose even up to 30 November 2015.
- (d) Livelihood advances amounting to Rs. 310,900 paid from the general deposit Account to 03 farmers for purchase of Two wheel Tractors in the year 2010 had not been settled even up to 30 November 2015.
- (e) Action in terms of Financial Regulation 571 had not been taken in respect of 65 balances of deposits amounting to Rs.688,171 older than 02 years.

### 3.6 Advances to Public Officers Account

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The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December 2014.

- (a) Action had not been taken to recover the loan balances totalling Rs.807,595 due from five officers who were interdicted and vacated their post as at 31 December 2014.
  
- (b) It was observed that distress loan amounting to Rs. 31,600 paid during year of 2013 had not been entered in the payroll system. As a result a sum of Rs.31,600 was overpaid to the same officer during the year of 2014 at Divisional Secretariat Poonakary.

### 3.7 Non-compliance

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

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

#### Reference to Laws, Rules and Regulations

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#### Non compliance

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| (a) Financial Regulation No 756                                       | The board of survey in respect of 95 Grama Niladhari Offices had not been carried out for the year 2014 and previous year.                 |
| (b) <b><u>Treasury Circular</u></b><br>No 1/99 of 09 April 1999       | The security deposits had not been obtained from six officers dealing the cash and stores.   |
| (c) Public Administration<br>Circular No. 41/90 of 10<br>October 1990 | The Fuel consumption of 17 vehicles of the District Secretary and Divisional Secretariats had never been tested and noted in the log book. |

### **3.8 Transactions Without Authority**

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A sum of Rs. 226,650 was paid for supplying and fixing of CCT camera at Government Agents Bungalow without obtaining approval from the Secretary, Ministry of Public Administration and Home Affairs.

### **3.9 Transactions in the Nature of Financial Frauds**

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

#### **Payment of Value Added Tax (VAT) Rs. 1,205,515.**

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Value Added Tax (VAT) payment aggregating to Rs. 1,205,515 made by the District Secretariat for civil works without examined the validity of Value Added Tax (VAT) registration numbers as at the time of payment made to a contractor when his Value Added Tax (VAT) number is cancelled. Hence, the payment made in this connection was considered as fraudulent.

### **3.10 Management Weaknesses**

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Following observations are made.

- (a) According to the agreement at the time of awarding, the contract for the construction of the expansion of the office building at Kandawalai Divisional Secretariat, the contractor had agreed to give a 13 per cent discount from the contract payment. Although the final payment to the value of work done amounting to Rs.843,522 had been paid to the contractor without considering the agreed discount. As a result a sum of Rs. 109,658 had been over paid to the contractor.

(b) According to the Paragraph (g) of the contract agreement of the construction of Training Centre Stage III at Kilinochchi should have been completed on 06 November 2014. But actually work completed on 15 December 2014 and 34 days delay was observed in audit (Excluding Sundays), but only a sum of Rs.1,852 had been recovered as liquidated damaged. As a result a sum of Rs.158,707 was under recovered from the contractor in terms of Paragraph (h) of the contract agreement.

### 3.11 Human Resources Management

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

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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Senior level	19	16	03
Tertiary Level	105	84	21
Secondary Level	211	146	65
Primary Level	91	55	36
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	<b><u>426</u></b>	<b><u>301</u></b>	<b><u>125</u></b>

The following observation is made.

The District Secretariat had not taken action to fill 125 vacancies by the end of the year under review.