

**Report of the Auditor General on Head 268 – District Secretariat/Kachcheri Kilinochchi – Year 2015**

The audit of the Appropriation Account, Revenue Account and the Reconciliation Accounts including the financial records, books, registers and other records of the District Secretariat, Kilinochchi, Head - 268 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 Accounting Officer on 26 October 2016. 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 an audit coverage as possible within the limitations of staff, other resources and time available to me.

**1.2 Responsibilities 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. 210.60 million and out of that Rs. 206.84 million had been utilized by the end of the year under review. Accordingly the savings out of the net provision amounted to Rs. 3.76 million or 1.78 per cent of the net provisions.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	173.60	170.57	3.03	1.74
Capital	<u>37.00</u>	<u>36.27</u>	<u>0.73</u>	1.98
Total	<u>210.60</u>	<u>206.84</u>	<u>3.76</u>	1.78

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

Provisions totalling Rs.374.10 million had been received from 17 Ministries and 14 Departments respectively for various activities and out of this, sums totalling Rs. 340.35 million had been utilized. Accordingly, the savings was Rs.33.75 million and it was 9.02 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 Account of the District Secretariat under the Item No.26801 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
13.38	6.88	8.38	9.87	47.00	37.34

### 2.3 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0286/0015/000 of the District Secretariat as at 31 December 2015 amounted to Rs.24.35 million.

### 2.4 General Deposit Account

The total balance of 06 Deposit Accounts as at 31 December 2015 amounted to Rs.31,277,944. Details are given below.

Deposit Account No.	Balance as at 31 December 2015
	Rs.
6000/0000/00/0002/0116/00	50,000
6000/0000/00/0013/0076/00	537,946
6000/0000/00/0016/0064/00	15,274,909
6000/0000/00/0017/0019/00	5,151,030

6000/0000/00/0018/0076/00	1,726,900
6000/0000/00/0020/0010/00	<u>8,537,159</u>
<b>Total</b>	<b>31,277,944</b> =====

## 2.5 Audit Observation

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The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the District Secretariat, Kilinochchi, 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 observations included in the Management Audit Report appear in paragraph 3.

## 3. Material and Significant Audit Observations

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### 3.1 Presentation of Accounts

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Even though the District Secretariat should present the Revenue Account to audit by 31 March 2016, the account had not been presented to audit even by 31 October 2016.

### 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.

Type of Registers	Relevant Regulation	Observations
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Catalogue of Books	Kachcheri Manual 5:9	Not maintained
Register of Losses	Financial Regulation 110	Not updated
Register of Liabilities	Financial Regulation 214	Not maintained
Register of Telephone	Financial Regulation 845(1), 846 (3)	Not maintained
Procurement Time Schedule(PTS)	Section 4.2.2 of Procurement Guideline-2006	Not maintained
Register of Fixed Assets	Treasury Circular No. 01/2004 of 24 February 2004	Not maintained
Register on Computer, accessories and software	Treasury Circular No. 1A1/2002/02 of 28 November 2002	Not maintained

### **3.3 Appropriation Account**

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#### **3.3.1 Budgetary Variance**

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Following observations are made.

- (a) Original provision of Rs. 16,800,000 made under four recurrent objects had been reduced by 10 per cent to 25 per cent in six instances, while other five recurrent objects had been increased by 8.3 per cent to 40 per cent. Hence, it was revealed that the expenditure estimate had been prepared without proper financial plan.
- (b) Satisfactory reasons had not been given for the transfer of savings aggregating Rs. 110,448 or 14 per cent on total net provision for a recurrent object.

### **3.4 Imprest Account**

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An unsettled imprest aggregating Rs. 13,494,230 and Rs.1,002,100 had been identified from the books of the District Secretariat Kilinochchi and Divisional Secretariat Karachchi respectively as at 31 December 2015. Even though the works had not been commenced and completed, 09 Nos of cheques aggregating Rs. 14,496,330 had been drawn on the names of 06 Contractors and retained at the District Secretariats without being remitted the imprest to Treasury and shown as un-presented cheques even up to 30 September 2016 over 09 months.

### **3.5 General Deposit Account**

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Following observation is made.

Action had not been taken on 15 Nos of Retention Money aggregating Rs. 380,957 and allowed to retain in the General Deposit Account for the period ranging from 24 to 28 months.

### **3.6 Advances to Public Officers Account**

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Following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account No. 26801 of the District Secretariat.

- (a) Action had not been taken either to recover the outstanding balance aggregating Rs. 649,195 due from 03 officers who were vacated their post or to make necessary adjustments in terms of the Section 4 of the Chapter XXIV of the Establishment Code.
- (b) Payment of loan and advances aggregating Rs. 649,550 had been made by the Divisional Secretariat Karaichchi without being obtained imprest for the year under review contrary to the Financial Regulation 500 (1).

### 3.7 Accountability and Good Governance

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#### (a) Annual Action Plan

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District Secretariat had not prepared an Annual Action Plan at the beginning of the year under review in terms of the National Budget Circular No. 128 of 24 March 2006.

#### (b) Assets Management

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Following deficiency was observed during the course of audit test checks of the assets of the District Secretariat. Four electronic and computer items valued Rs. 281,679 received from District Secretariat- Jaffna to Kilinochchi already available and purpose of similar items purchased to the value of Rs. 124,290 again during the year under review could not be justified in audit.

### 3.8 Non-compliances

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

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

<b>References to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
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	<b>Rs.</b>	
<b>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
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(i) Financial Regulation 94(2)	811,437	Independent confirmations had not been made available for the 57Nos. of liabilities.
(ii) Financial Regulation 115	4,600,165	Twenty payments for the year 2014 in connections with the assistance for the flood relief had been made in Divisional Secretariat, Kandawalai during the year under review after lapsed of 4 to 7 months without being obtained an approval through the District Secretary from Secretary of Ministry of Disaster Management.

(iii)	Financial Regulation 504(1)	37,342,597	Quarterly Statement of the Advance to Public Officers Account had not been prepared and rendered for audit by the District Secretariat and four Divisional Secretariats for the year under review.
(iv)	Financial Regulation 565(3)		Balancing of Account of the General Deposits had not been done by the District Secretariat and four Divisional Secretariats for the year under review.
<b>(b)</b>	<b>Government Procurement Guide lines</b>		
	Guide Line 8.13.4	1,479,027	A variation of 25 per cent in the estimate for the contingencies on the Internal Access Road works of Economic Centre-Kanagapuram had not been approved by the Chief Accounting Officer concern during the year under review.

### **3.9 Implementation of Projects under Domestic Financing**

Instances of projects abandoned without commencing and delays in completion of projects revealed during the course of audit test checks are given below.

#### **(a) Delays in the Execution of Projects**

- (i) Five Nos. of cheques valued aggregating Rs. 8,139,200 had been drawn in last week of December 2015 in favour of 03 contract works and retained in hand without being issued to the relevant contractors. Also, the meaningful action had not been taken to commence and complete such works even up to 25 October 2016.
- (ii) Even though a Rehabilitation works of Internal Access Road to the Economical Centre- Kanagapuram had been awarded to a contractor to the contract value of Rs. 5,943,336 under the shopping procurement method during the year under review, audit inspection revealed bitumen had not been satisfactorily applied on gravels as per the estimate and observed the growth of grasses and also the smoothness of the road had not been up to the standard as per estimate. Further, the reason for not procured under the National Competitive Bids and details of Registered Suppliers for the works, detail of Quotations received on time had not been made available for audit. However, the details of construction cost of this Centre and reason for not commencing the meaningful action to make it as effective for the public use had not been made available for audit even up to 25 October 2016.

### **3.10 Transactions of Contentious Nature**

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Following observations are made.

- (a) A difference of Rs. 215,233 had been observed between the amount indicated in the invoices and payments made by the Divisional Secretariat Kandawalai during the year under review for the supply of cooked meals at 09 instances. However, the reason for the differences had not been explained to audit.
- (b) Twelve cheques valued aggregating Rs. 1,936,840 had been drawn in favour of individual names of 05 Grama Niladharies of Divisional Secretariat, Kandawalai during the year under review contrary to Financial Regulation 138(3) instead of names of the suppliers of the items supplied for the people affected by flood disaster in December 2014. Thus, it could not be satisfactorily ascertained in audit whether the payments had been satisfactorily received by those suppliers.

### **3.11 Transaction without Authority**

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Following observation is made.

Even though the people affected by the flood disaster in Divisional Secretariat Kandawalai area and accommodated in 08 welfare centres for the period ranging from 04 days to 10 days in December 2014, payments totalling Rs. 1,364,985 had been made to purchase of various items to be supplied them without being obtained an approval from the District Secretary contrary to the Treasury Circular No. 152 of 14 June 2011.

### **3.12 Management Weaknesses**

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The particulars of transactions relating to management weaknesses observed during the course of audit tests are given below.

- (a) Nutritional Coupons valued to be Rs. 2,192,000 had been distributed without being cancelled at the time of supplying the items for Pregnant Mothers in Karachchi Division.
- (b) Payment for Value Added Tax aggregating to Rs. 1,420,758 had been made by District Secretariat to a contractor without being examined the tax invoices and the validity of their VAT registration at the time of payments during the year under review.

### **3.13 Over payment**

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Following observation is made.

District Secretariat had made an agreement with Central Engineering Consultancy Bureau and awarded a contract to the Value of Rs.13.475 million on 03 July 2014 for the construction works of Divisional Secretariat Kandawalai and a consultancy fee of Rs 3.775 million had been paid to the Central Engineering Consultancy Bureau instead of paying Rs.1.288 million due as consultancy fee for the contract. As a result, an over payment of Rs.2.487 million had been observed in audit.

### 3.14 Losses and Damages

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Following observations are made.

- (a) Losses aggregating to Rs. 72, 963,466 due to various reasons had been shown in the Appropriation Account. In this connection necessary action had not been taken to rectify and clear this amount from the Account over the last 07 years.
- (b) Value of losses of 04 vehicles belongs to the District Secretariat had not been assessed and brought to Appropriation Account over the last 07 years.

### 3.15 Unresolved Audit Paragraphs

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Reference to the paragraphs relating to the District Secretariat included in the Minutes of the 197<sup>th</sup> Meeting of the Committee on Public Accounts held on 08 April 2014, on which follow-up action had not been finalized is given below.

Reference to Minutes of the Meeting		Subject under Reference
Year	Paragraph Number	
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2014	10(iv)	Legal action on unsettled outstanding Paddy Purchasing Advances aggregating Rs. 7,200,000 paid to 04 Co-operative Societies had not been taken and delayed over last 02 years.
2014	10(v)	A sum of Rs. 6,631,171 had been collected from issuing temporary route permits and retained in the General Deposit Account of District Secretariat at the time of Committee inquired on 08 April 2014 and the balance of Rs. 1,726,900 had been shown in the General Deposit Account as at 31 December 2015. Even though the District Secretary assured to the Committee on Public Accounts that it was planned to build a Private Bus Stand by using this collection with the approval of the National Transport Commission, the action had not been taken to do so over last two years.



### 3.16 Human Resources Management

#### Approved Cadre and Actual Cadre

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

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i)	Senior Level	23	14	09
(ii)	Tertiary Level	14	1	13
(iii)	Secondary Level	341	223	118
(iv)	Primary Level	99	52	47
	<b>Total</b>	<b>477</b>	<b>290</b>	<b>187</b>

Following observation is made.

Action had not been taken to fill 187 vacancies even by the end of the year under review.