

Report of the Auditor General on Head 268 – District Secretariat/ Kachcheri Kilinochchi Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 268 - District Secretariat, Kilinochchi 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 23 October 2017. 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 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. The 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. 298.30 million and out of that Rs. 293.79 million had been utilized by the end of the year under review. Accordingly the savings, out of the total net provision of the District Secretariat amounted to Rs. 4.51 million or 1.51 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	190.30	187.39	2.91	1.53
Capital	<u>108.00</u>	<u>106.40</u>	<u>1.60</u>	1.48
Total	<u>298.30</u>	<u>293.79</u>	<u>4.51</u>	1.51

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

Provisions totaling Rs. 1,993.20 million had been received from 19 Ministries and 11 Departments respectively for various activities during the year under review and out of that, a sum of Rs. 1,936.70 million had been utilized. Accordingly, the saving out of the provisions made amounted to Rs. 56.50 million or 2.83 per cent.

2.2 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 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
10.50	10.43	8.50	12.47	42.00	35.66

2.3 General Deposit Account

The balances of the 06 deposit accounts under the District Secretariat as at 31 December 2016 total Rs.37,125,771. Details are given below.

Deposit Account Number	Balance as at 31 December 2016
	Rs.
6000/0000/00/0002/0116/000	5,000
6000/0000/00/0013/0076/000	216,523
6000/0000/00/0016/0064/000	21,793,206
6000/0000/00/0017/0019/000	2,301,030
6000/0000/00/0018/0076/000	108,355
6000/0000/00/0020/0010/000	12,701,657
Total	37,125,771

2.4 Audit Observations

The Appropriation Account and the Reconciliation Statements of the District Secretariat Kilinochchi for the year ended 31 December 2016, had been prepared satisfactorily subject to the audit observations, appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and important Audit observations out of the Audit observations included in the Management Audit Report appear in paragraph 3.

3. Material and Important Audit Observations

3.1 Non-maintenance of Registers and Books

The following registers had not been properly maintained and updated.

Type of Registers	Relevant Regulations
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Register of Losses	Financial Regulations 110
Registers of fixed Assets	Treasury Circular No 842 dated 19 December 1978

3.2 Appropriation Account

3.2.1 Budgetary Variance

Explanations given for net savings of Rs. 713,934 relating to two Objects of capital and three Objects of recurrent could not be satisfactorily accepted in audit due to preparing of Annual Estimate in ad-hoc basis.

3.3 Imprest Account

The following observations are made,

- (a) Unspent balance in imprest Account No 7002/0000/00/0286/0016/000 totaling Rs.48,919,365 had been settled by the District Secretariat and Divisional Secretariat without being utilized for intended purposes.
- (b) Even though the works had not been completed, 03 cheques aggregating Rs.13,757,468 had been drawn in favour of 02 contractors and retained at the Secretariats without being remitted to the General Treasury and shown as un-presented cheques for over ten months up to 31 October 2017 .

3.4 Advances to Public Officers Account

During the course of audit test checks carried out on the Reconciliation Statement as at 31 December 2016 relating to the Item No. 26801 of the Advances to Public Officers Account. It was observed that action on recovery of outstanding loan balances aggregating Rs.610,595 due from two officers who had vacated their posts, had not been taken in terms of Section 4 of

Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka for the period ranging from 04 to 05 years.

3.5 Non-compliance

Non-compliance with Financial Regulations

Mobilization Advances aggregating Rs. 7,050,000 paid to the Co-operative Societies for purchase of paddy had not been settled by those Societies over a period ranging from 2 to 4 years as at ending of the year under review. However, actions in terms of Financial Regulation 371 in this regard had not been taken by the District Secretary even up to the end of the year under review.

3.6 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.

Delays in the Execution of Projects

Undue delays were observed in the implementation of Livelihood Assistants Project introduced for internally displaced families and refugees. As a result a sum of Rs. 40,052,000 had been transferred to beneficiary's bank accounts on 31 December 2016 instead of being distributed Cattles and Goats to those beneficiaries in terms of conditions laid down in the letter No. MR/4/31 of 09 February 2016 issued by then Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs.

3.7 Transactions of Contentious Nature

The following observations are made.

- (a) A contract had been awarded to second lowest bidder contrary to procurement decision made by the Procurement Committee in order to implement the Package 8 (Construction of boundary wall, dug well, culvert etc.) of project works of the Divisional Secretariat. Further no reason had been furnished to audit for awarding contract to second lowest bidder.
- (b) In evaluating the package 01 (Construction of Dry Bed, Community Center, Dug well etc.), Technical Evaluation Committee has considered altered discount price even though 10% discount was mentioned in the bid form. As result, a loss of Rs. 318,930 had been incurred to the Government.
- (c) It was further observed that all the duplicate copies of the above bids had been opened simultaneously contrary to the Procurement Guidelines chapter 6 sub section 3.4 (a) even though the bids were submitted separately as original and copy.

- (d) Divisional Secretariat, Karachchi has made a request to the General Treasury on 10 August 2016 seeking an additional provisions of Rs.1,258,578 for payments of Value Added Tax without considering actual value of contracts awarded under Decentralized Capital Budget and Rural Infrastructure Development Programs implemented during the year under review. As a result a saving of Rs.2,681,111 had been arisen as at 31 December 2016. Meanwhile, by utilizing this savings the Divisional Secretariat had implemented seven construction works without being obtained necessary approvals.

3.8 Overpayments

A total overpayment of Rs.1,013,549 had been made for various contracts as a result of non-completion of works mentioned in the bills submitted by those contracts. Details appear below.

Name of Contract	Value of Work done According to the Bills	Value of Work done According to Actual work done	Amount Overpaid
	----- Rs.	----- Rs.	----- Rs.
(i) Construction of Thirunagar North Concrete Road	6,912,810	6,380,746	532,064
(ii) Construction of Soranpattu Central Road	6,434,468	6,280,040	154,428
(iii) Construction of Boundary Wall at Pre School Kanakapuram	390,712	306,419	84,293
(iv) Construction of Boundary Wall at Common Hall, Vivekananthanagar	192,569	152,156	40,413
(v) Construction of Common Hall, Kannakaipuram	320,362	269,040	51,322
(vi) Construction of Common Hall, Uttuppulam	73,920	58,559	15,361
(vii) Construction of Boundary Wall, Thiruvaiyaru	401,518	323,686	77,832
(viii) Construction of Boundary Wall and Common Hall Puthumurippu	140,540	106,869	33,671
(ix) Construction of Common Hall Akkarayankulam	360,760	336,595	24,165
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Total	15,227,659	14,214,110	1,013,549
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3.9 Losses and Damages

The following observations are made.

- (a) Meaningful action on losses aggregating Rs.72,841,466 shown in the Appropriation Account for the year under review had not been taken for over 8 years.
- (b) Losses incurred to 5 official vehicles had not been assessed and brought to the Appropriation Accounts since the year 2011. Further, a loss of Rs.1,047,800 incurred to a vehicle had not been brought to the Appropriation Account for last 4 years.

3.10 Unresolved Audit Paragraph

Reference to the paragraphs relating to the District Secretariat included in the Minutes of the 197th 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
Year	Paragraph Number	
2014	10(iv)	Legal action on unsettled outstanding Paddy Purchasing Advances aggregating Rs. 7,050,000 paid to 04 Co-operative Societies had not been taken and delayed over last 03 years.

3.11 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	13	10	03
(ii) Tertiary Level	04	-	04
(iii) Secondary Level	78	74	04
(iv) Primary Level	28	23	05
	123	107	--16
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Following observation is made.

Action had not been taken to fill 16 vacancies even by the end of the year under review.