

## **Head 268 - Report of the Auditor General of the District Secretariat, Kilinochchi - 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, Kilinochchi. 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, Kilinochchi - Head 268 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 11 September 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, Kilinochchi 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 2.13 of this Report. It was observed that the Accounting Officer had executed his accountability on a satisfactory manner subject to audit observations as summarized in the undermentioned table revealed while performing the Financial Regulations 128 of the Financial Regulation of Democratic Socialist Republic of Sri Lanka to ensure the adequacy of the financial administration

<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>
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Financial Regulation		
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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.	01. Non - completion of the Projects. 2.3.1 (a) 02. Delays in performing of Projects. 2.3.1 (b) 03. Projects that had not obtained progress though the funds released. 2.3.1 (c) 04. Implementation of Procurement Procedure 2.3.2
128 (1) (c)	The Financial Regulations and other supplementary instructions of the Government are adhered to in his Department, and that they are supplemented by Departmental Instructions, where necessary	01. Deficiencies in General Deposit Account 2. 9 02. Deficiencies in operating Bank Accounts 2.10 03. Non-maintenance of Books and Registers 2. 11

		04. Deficiencies in Human Resources Management	2. 12
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.	Failing to recover the loan balances of Public Officers' Advance Account.	2. 8
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 Financial Regulations 156 (1) .	Losses and Damages	2. 4

## 2. Material and Significant Audit Observations

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### 2.1 Key Functions of the District Secretariat

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- (a) District Administration System consisted of efficiency.
- (b) Providing a clean public service to Rural, Regional and District Public.
- (c) Cultural customs and the physical and psychological well-being.
- (d) While supporting the education, health and agriculture of the people in rural and divisional levels providing subsidies and livelihood assistance to those in the poverty line.

## 2.2 Institutions Established under the District Secretariat and the Functions to be Performed by it.

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Institutions Established under the District Secretariat and their functions are as follows.

<b>Institutions Established under the District Secretariat</b>	<b>Authority of Establishment</b>	<b>Function</b>
----- Divisional Secretariat Karachchi Divisional Secretariat Kandawelei Divisional Secretariat Pachchilai Palli Divisional Secretariat Poonakari	} Establishment of Divisional Secretariats Act No. 58 of 1992	----- Implementation of Administrative and Development functions assigned by the Central Government and Provincial Councils at Provincial Level.

## 2.3 Performance

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### 2.3.1 Non- fulfillment of Functions

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The following observations are made.

#### (a) Abandonment of Project without Fulfillment

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The provision amounted to Rs. 41.24 million had been made available for the implementation of 02 Projects such as the Office building of Divisional Secretariat Kandawalei and the reconstruction work of Periyakulam Anicut by the District Secretariat in the years 2016 and 2017 . Although the activities of these projects had been commenced during the year under review, these projects had been abandoned so far without completion due to the conflicts arisen with the contractors.

#### (b) Delays in Fulfillment of Projects

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Even though 04 projects had been commenced entering in to an Agreement at a cost of Rs. 9.14 million for projects the such as Mazar, Kollakurichchi, Karadiya Amuna, Mawilangei wewa and the Kulambia Wewa during the year under review by the District Secretariat, it had not possible to complete within the agreed contract period due to bad weather. Although the project had lasted eight months, it had not been completed up to date .

**(c) Projects that had not obtained progress though the funds released**

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Even though a sum of Rs. 20 million had been paid on 30 November 2017 to the Department of Buildings for the construction of Phase III of the building of the Divisional Secretariat Kandavalai by District Secretariat, the above work had not been completed up to now.

**2.3.2 Implementation of the Procurement Procedure**

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The following observations are made.

- (a) It was observed that a large number of procurements had been awarded without considering the standard of the contractors whilst awarding the procurements by the District Secretariat. Accordingly, even though the contracts for more than Rs. 10 million could not be awarded to the contractors who bears C<sub>7</sub> standard, 21 works valued at Rs. 105 million had been awarded to 05 contractors by the District Secretariat. In addition to that, the attention had not been drawn in respect of the relevant works carried out by relevant contractors at the other places whilst awarding the procurements. Therefore, the defects had occurred in performing of relevant industries quickly and qualitatively .
- (b) Contractors had submitted bids at various prices whilst make procurement for the construction of the wall around the Kilinochchi Government Hospital. Although those were rejected due to not matched with the bids submitted by the Technical Evaluation Committee the Procurement Committee had awarded the work to the Contractor who had not signed the Bidding List.

**2.4 Losses and Damages**

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It had not been reported to the Auditor General in respect of the loss occurred regarding an accident of a vehicle of Kandawalai Divisional Secretariat in Jaffna on 16 June 2017 in terms of Financial Regulation 104 (2) . The inquiry committees had not been appointed within three months after the date of loss occurred and the investigation activities had not been conducted in terms of Financial Regulation 104 (4) . Even though a 13 month period had elapsed , any report in respect of this accident had not been furnished to audit. Further, only a sum of Rs. 830,289 had been received from the Insurance Company out of the repair expenditure amounted to Rs. 1,348,904 and the rest of the money had been paid from the General Fund without charging those from the responsible parties.

## 2.5 Unresolved Audit Paragraphs

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

<b>Reference to Auditor General's Report</b>		<b>Subject Referred</b>
<b>Year</b>	<b>Paragraph No.---</b>	
2016	3.7	(i) Non - completion of construction of the office building of Kandawalai Divisional Secretariat suitable for Public Utility.  (ii) Not providing of the total cost of living aid which should be provided for the General Public in 04 Divisional Secretariats for the year 2016 .
2016	3.11	Actions not taken in respect of the over payment totalled to Rs. 686,492 for the contract work.
2015	3.16	Legal actions not taken so far in respect of the paddy purchasing advance amounted to Rs. 5.8 million that was not settled as per the Public Accounts Committee in Parliament held on 08 April 2014 .

## 2.6 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 are appear below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of Net Provision
		Rs. Million	Rs. Million	Rs. Million	Percentage
2013	Recurrent	151.38	148.20	3.18	2.1
	Capital	50.20	49.25	0.95	1.9
	<b>Total</b>	<b>201.58</b>	<b>197.45</b>	<b>4.13</b>	
2014	Recurrent	145.45	141.38	4.07	2.8
	Capital	41.55	41.43	0.12	0.27
	<b>Total</b>	<b>187.00</b>	<b>182.81</b>	<b>4.19</b>	
2015	Recurrent	173.60	170.57	3.03	1.74
	Capital	37.00	36.26	0.74	1.98
	<b>Total</b>	<b>210.60</b>	<b>206.83</b>	<b>3.77</b>	
2016	Recurrent	190.30	187.39	2.91	1.53
	Capital	108.00	106.40	1.60	1.48
	<b>Total</b>	<b>298.30</b>	<b>293.79</b>	<b>4.51</b>	
2017	Recurrent	202.73	192.09	10.64	5.25
	Capital	100.00	99.53	0.47	0.46
	<b>Total</b>	<b>302.73</b>	<b>291.62</b>	<b>11.11</b>	

The following observations are made in this regard.

- (a) The provision amounted to Rs. 11 million had not been utilized in the current year as compared to the previous years.
- (b) Although the capital allocation had decreased by 7 per cent in the year under review less than the previous year, the capital funds amounted to Rs. 20 million in the year 2017 had not been made as physical assets. Similarly, the capital provision amounted

to Rs. 8.75 million provided for the year 2016 had been retained in the bank due to non - completion of the relevant work up to now.

## **2.7 Utilization of Provisions Provided by the Other Ministries and Departments**

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The total amount of Rs. 2,013.31 million had been made available to the District Secretariat for the various activities from the institutions such as 24 other Ministries, 14 Departments, Presidential and Prime Minister's Offices. Only a total of Rs. 1,896.82 million out of that had been utilized by the end of the year under review. Accordingly, the allocation of Rs. 116.49 million or 5.78 per cent out of the allocated provisions provided had been left over. The following shortcomings were revealed at the audit test checks carried out in that regard.

- (a) A loss amounted to Rs. 131,067 had occurred due to the reconstruction works of Kalawiya Tank and the Murippu Tank had been awarded in contrary to the Procurement Procedure by the District Secretariat that was implemented out of the allocations provided by the Ministry of Prison Reforms, Rehabilitation and Hindu Religious Affairs.
- (b) Despite the contractor had suspended the work of the reconstruction of the Kotrandar Tank Road which was implemented by the District Secretariat from the provisions of the Disaster Management Center, a financial loss of Rs. 428,050 had incurred due to offering the contract by calling bids again. Further, the income amounted to Rs. 379,047 had been lost due to the Performance Guarantee amounting to Rs.379,047 was released to the contractor himself without getting the income to State Revenue in terms of Guideline 5.4.8 of the Procurement Guideline.
- (c) A loss of Rs. 265,156 had been incurred due to the relevant work offered to another contractor without convert the bid security in to money of the contractor amounted to Rs. 257,000 in terms of the Guidelines 5.3.11 (b), (c), 5.3.13 (d) of the Procurement Guideline 2006 in respect of the contract work of the art theatre of Wattakachchi Maha Vidyalaya implemented by the District Secretariat under the provision of Ministry of Kandurata New Village, Infrastructure Facilities and Social Development.
- (d) As per the reconciliation statement presented to the audit by the Planning Division of the District Secretariat the total outstanding balance of the employees as at that date was Rs. 517,803 and even though these arrears balance remains for more than 5 years, the follow-up actions of the recovery of those arrears balances had been at a weak level.
- (e) The reconstruction work of Wattakkachchi Thabalkattu Road had been completed entering in to an agreement on 01 November 2017 by the provision amounted to Rs. 6.88 million released by the Ministry of National Integration and Reconciliation. It was observed that the road was continuously broken due to the reasons such as using of low-quality materials, weaknesses in performance at the physical audit examination conducted in respect of this on 30 July 2018 .



- (f) The bid documents had been obtained by only two contractors paying money for the rehabilitation work of the Paranthan Road implemented by the District Secretariat on the provision of Rs. 2.76 million of the Ministry of Rehabilitation and Prison Reforms and Hindu Affairs . Nevertheless, it was observed in audit that the signature of the completed bid document of a contractor was cut and changed and providing a contractor who had not obtained bid documents was as a fraudulent act.

## 2.8 Advances to Public Officers' Account

The limits authorized by the Parliament for the advances to Public Officers Account of the District Secretariat Item No. 26801 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>
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<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>
15.00	14.90	11.00	11.59	45.00	38.93

The following observations are made in this regard.

The total of the arrears balances receivable furnished to audit as at 31 December 2017 was Rs. 644,195 and although those arrears balances had remained for the period from 08 years to 14 years the follow up actions on recovery of those arrears balances was at a weak level.

## 2.9 General Deposit Account

The total of five General Deposit Accounts under the District Secretariat as at 31 December 2017 was Rs. 41.25 million.

The following observations are made in this regard.

- (a) Actions had not been taken in respect of the 19 Deposits totalled to Rs. 0.51 million in terms of Financial Regulation 571 .

- (b) The provision totalled to Rs. 6.55 million allocated by the other Ministries and Departments for the various purposes for the District Secretariat had been retained in the Deposit Account without utilizing for specific purposes.

## 2.10 Operating Bank Accounts

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The matters revealed at the audit test checks carried out in respect of the adjustments shown in the Bank Reconciliation Statement prepared for the month of June 2018 by the District Secretariat are shown below.

- (a) Actions had not been taken in terms of Financial Regulation 396 (d) in respect of 10 cheques totalled to Rs. 8.55 million issued but not submitted to the bank for the year under review.
- (b) Eighteen cheques worth of Rs. 23.46 million, that had written stated as the works completed on 31 December 2017 had not been provided to the contractors up to 01 August 2018. As a result, financial control had not been properly implemented and it was also observed that actions were taken in contrary to the Financial Regulations 137 and 138 .

## 2.11 Non - maintenance of Registers and Books

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It was observed in audit test checks that the District Secretariat had not maintained the below mentioned Registers and certain registers had not been maintained in proper manner . Details appear below .

Type of Register	Relevant Regulation	Observation
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(a) Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978 / Annexure II as per the Financial regulation 502 (2)	Not updated.
(b) Register of Liabilities	Financial Regulation 214	Not maintained.

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|-----|---|--|-----------------|
| (c) | Register of Vehicle List  | Financial Regulation 1647(e)                         | Not maintained. |
| (d) | Fuel and Lubricant Stock Book   | Financial Regulation 1647(d)                         | Not maintained. |
| (e) | Register of Attendance for Procurement Committees and Technical Evaluation Committees | Guideline 2.11.2 of Government Procurement Guideline | Not maintained. |

## 2.12 Human Resources Management

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### 2.12.1 Approved Cadre, Actual Cadre and Expenditure for Personal Emolument

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The particulars in respect of the Approved Cadre, Actual Cadre, Vacancies and the Excess Cadre as at 31 December 2017 for the achievement of the functions mentioned in the above 2.1 Paragraph are given below. The District Secretariat had incurred a sum of Rs. 150.58 million for the Object of personal emoluments for the year under review. Accordingly, the per capita expenditure was a sum of Rs. 0.51 million .

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excess
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(i) Senior Level	20	18	02	-
(ii) Tertiary Level	16	01	15	-
(iii) Secondary Level	282	223	65	06
(iv) Primary Level	57	49	08	-
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	<b>375</b>	<b>291</b>	<b>90</b>	<b>06</b>
	=====	=====	=====	=====

The following observations are made in this regard.

- (a) Actions had not been taken to obtain a proper approval in respect of 06 excess employees enrolled.
- (b) Actions had not been taken to fill 96 vacancies exists at the end of the year under review.

**2.13 Transfer of Tasks related to Monetary Control**

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The following observations are made.

- (a) A Register showing the duties assigned to the each officer mentioning the name or the position of the assigned officer had not been prepared whilst delegating the powers of monetary control of one or more scheduled tasks to the Accounting Officer.
- (b) The above list was not generally circulated in the District Secretariat.