

Head 267 – District Secretariat, Mullaitivu

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the District Secretariat, Mullaitivu for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the District Secretariat, Mullaitivu was issued to the Accounting Officer in 29 May 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report was issued on 10 October 2019 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the District Secretariat, Mullaitivu as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statement

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the District Secretariat, Mullaitivu is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control of the District

Secretariat, Mullaitivu exists and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Secretariat, Mullaitivu's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by Section 6 (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) Financial statements of the year under review had been submitted with the comparison of amounts of the preceding year. However, financial statements for the preceding year had not been prepared and submitted to audit properly, thus the accuracy of the amounts of the preceding year could not be assured.
- (b) There was no requirement of preparation of financial statements by the District Secretariat, Mullaitivu for the preceding year, thus recommendations on financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Lack of Evidences for Audit

Audit Observation

Fifteen transactions totalling Rs. 1.47 million made by the District Secretariat, Mullaitivu and Divisional Secretariat, Oddusuddan in the year under review could not be satisfactorily vouched or accepted in audit due to non-submission of estimates, requisition list, attendance sheets, receipts and related files.

Recommendation

Action should be taken to submit the required evidences to audit to certify the transactions in terms of Financial Regulation 138.

Comments of the Accounting Officer

Actions had been taken to rectify the errors in the future.

1.6.2 Deposit Payments and Balances

Audit Observation

66 deposits for intended purposes, 113 retention money deposits and 12 security deposits totalling Rs. 9.45 million had been retained in the general deposit accounts of

Recommendation

Meaningful actions should be taken in terms of Financial Regulation 571.

Comments of the Accounting Officer

Actions had been taken to rectify the errors in the future.

District Secretariat, Mullaitivu and four other Divisional Secretariats for the year under review without being taken actions for the last 3 months to 7 years.

1.6.3 Advance Account Balances

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|---|---|
| No meaningful actions had been taken to recover arrears of staff loan balances totalling Rs. 278,621 from ten officers who were vacated their post and retired from the service for the last 03 to 25 years in terms of section 4 of chapter XXIV of the Establishment Code. | Meaningful actions should be taken in terms of section 4 of chapter XXIV of the Establishment Code. | Actions had been taken to rectify the errors in the future. |

1.6.4 Failure to Maintain Registers and Books

It was observed in audit test checks that the District Secretariat had not maintained some of the registers mentioned below whilst certain registers had not been maintained properly and up-to-date.

| Audit Observations ----- | Recommendations ----- | Comments of the Accounting Officer ----- |
|---|--|---|
| Types of Registers ----- | | |
| (i) Fixed Assets Register ----- | | |
| A fixed assets register had not been maintained in terms of the Treasury Circular No. 842 of 19 December 1978 and Appendix 11 of Financial Regulation 502(2). | A fixed assets register should be maintained properly in concurrences with the Auditor General in terms of the Treasury Circular No. 842 of 19 December 1978 and Appendix 11 of Financial Regulation 502(2). | Actions had been taken to rectify the errors in the future. |

| | | | |
|--|---|--|--|
| <p>(ii) Fixed Assets Register on Computers, Accessories and Software</p> <p>-----</p> | <p>A Fixed Assets Register on Computers, Accessories and Software had not been maintained in terms of Treasury Circular No.1A1/2002/02 of 28 November 2002.</p> | <p>A Fixed Assets Register on Computers, Accessories and Software should be maintained in terms of Treasury Circular No.1A1/2002/02 of 28 November 2002.</p> | <p>Actions had been taken to rectify the errors in the future.</p> |
| <p>(iii) Register of Losses</p> <p>-----</p> | <p>A Register on Losses had not been maintained in terms of Financial Regulation 110.</p> | <p>A Register on Losses should be maintained in terms of provisions in Financial Regulation 110 and format specified in that.</p> | <p>Actions had been taken to rectify the errors in the future.</p> |
| <p>(iv) Register of Liabilities</p> <p>-----</p> | <p>A Register on Liabilities had not been maintained in terms of Financial Regulation 214.</p> | <p>Liabilities should be entered in the Register on Liabilities as to be checked the liabilities daily in terms of Financial Regulation 214.</p> | <p>Actions had been taken to rectify the errors in the future.</p> |
| <p>(v) Register on Electricity Equipment</p> <p>-----</p> | <p>A Register on Electricity Equipment had not been maintained in terms of Financial Regulation 454(2).</p> | <p>A Register on all Electricity Equipment which kept in Government Buildings should be maintained in terms of Financial Regulation 454(2).</p> | <p>Actions had been taken to rectify the errors in the future.</p> |
| <p>(vi) Register of Official Telephones</p> <p>-----</p> | <p>A Register of Official Telephones had not been maintained in terms of Financial Regulation 845(1).</p> | <p>A Register of Official Telephones should be maintained as per Appendix 26 in terms of Financial Regulation 845(1).</p> | <p>Actions had been taken to rectify the errors in the future.</p> |

(vii) Security Register

A Security Register containing information of all officers, for whom it is required to give security had not been maintained in terms of Financial Regulation 891(1).

A Security Register containing information of all officers, for whom it is required to give security should be maintained in terms of Financial Regulation 891(1).

Actions had been taken to rectify the errors in the future.

(viii) Attendance Register of the Procurement Committee and the Technical Evaluation Committee

An attendance register had not been maintained by the Secretary of the Committee in terms of Guideline 2.11.2 of the Government Procurement Guidelines.

An attendance register should be maintained by the Secretary of the Committee in terms of Guideline 2.11.2 of the Government Procurement Guidelines.

Actions had been taken to rectify the errors in the future.

(ix) Register on calling for Bids

A register on calling for bids had not been maintained by the Secretary of the Committee in terms of Guideline 5.2.1 of the Government Procurement Guidelines.

A register on calling for bids should be maintained by the Secretary of the Committee in terms of Guideline 5.2.1 of the Government Procurement Guidelines.

Actions had been taken to rectify the errors in the future.

2. Financial Review

2.1 Utilization of Provisions made by other Ministries and Departments

| Audit Observations ----- | Recommendations ----- | Comments of the Accounting Officer ----- |
|---|---|---|
| (a) Recurrent Expenditure ----- Out of provisions made for recurrent expenditure of three Divisional Secretariats under 12 object codes in the year under review, it was | Actions should be taken to utilize financial allocations efficiently. | Actions had been taken to rectify the errors in the future. |

observed savings totalling Rs. 108.92 million ranging from 06 per cent to 88 per cent.

(b) Capital Expenditure

 Out of provisions made for capital expenditure of three Divisional Secretariats under 08 object codes in the year under review, it was observed savings totalling Rs. 58.38 million ranging from 08 per cent to 100 per cent.

Actions should be taken to utilize financial allocations efficiently.

Actions had been taken to rectify the errors in the future.

2.2 Assurances to be made by the Chief Accounting Officer and the Accounting Officer

Audit Observations

Recommendations

Comments of the Accounting Officer

 The Chief Accounting Officer and the Accounting Officer should ensure the matters given below in terms of the provisions of Section 38 of the National Audit Act, No. 19 of 2018. However, action had not been taken accordingly.

 Actions should be taken by the Chief Accounting Officer and the Accounting Officer in terms of provisions of the Section 38 of the National Audit Act, No. 19 of 2018.

 Actions will be taken in the future.

The following observation is made in this regard.

The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the District Secretariat, Mullaitivu and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alternations as required for such systems to be effectively carried out. Such reviews should be made in writing and a copy thereof

should be presented to the Auditor General. However, no explanation was made to the Audit that a review had been made.

2.3 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are given below.

| Audit Observations | | Recommendations | Comments of the Accounting Officer |
|---|-------------|--|--|
| Reference to Laws, Rules, Regulations and Management Decisions | Value | Non-compliances | |
| | Rs. Million | | |
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | |
| Financial Regulation 396 | 1.45 | No meaningful actions had been taken in respect of non-presented cheques for payment to the bank for the last 01 month to 06 months. | Actions should be taken to present the cheques for the payment. Actions had been taken to rectify the errors in the future. |
| (b) Public Administration Circular | | | |
| No. 29/88 of 30 August 1988 | 3.38 | Two years loans paid to fifty eight officers without obtaining concurrence from the Secretary to the Ministry of Defense had remained as arrears continuously. | Actions should be taken to obtain concurrence from the Secretary to the Ministry of Defense. Actions had been taken to rectify the errors in the future. |
| (c) Procurement Guidelines of 2006 | | | |
| (i) Section 3.9.1 | 10.34 | Five road rehabilitation | Meaningful Actions had been |

works which each valued over Rs. 2 million had been divided in to ten contracts and awarded to two Farmers Organizations and 03 Rural Development Societies in every one month period. However, any register had not been maintained in order to ensure the qualification for contract works of such Community based Organizations.

actions should be taken in terms of section 3.9.1 of procurement guideline.

taken to rectify the errors in the future.

(ii Section 2.11.3)

Minutes of meeting of opening bids, minutes of meeting of technical evaluation committee and minutes of decision of the procurement committee had been made by the Divisional Secretariat, Oddusuddan contrary to the approved formats in the year under review.

Meaningful actions should be taken in terms of section 2.11.3 of procurement guideline.

Actions had been taken to rectify the errors in the future.

2.4 Irregular Transactions

Audit Observations

(a) Payment of two transactions totalling Rs. 58,922 had been made by the Divisional Secretariat, Thunukkai in the year under review without obtaining approval in terms of Financial Regulation 136.

Recommendations

Payments should be made only for approved transactions in terms of Financial Regulation 136.

Comments of the Accounting Officer

Actions had been taken to rectify the errors in the future.

- (b) Seven payments totalling Rs. 130,229 had been made by the Divisional Secretariats, Thunukkai and Oddusuddan in the year under review without certifying in terms of Financial Regulation 138.
- Actions should be taken to certify the payments in terms of Financial Regulation 138.
- Actions had been taken to rectify the errors in the future.

3. Operating Review

3.1 Performance

3.1.1 Failure to carry out the Functions

| Audit Observation | Recommendation | Comment of the Accounting Officer |
|---|---|---|
| ----- | ----- | ----- |
| An action plan had been prepared for the year under review in terms of the Public Finance Circular No. 2014/01 of 17 February 2014, However, even though the action plan had not been subjected to review monthly and the projects could not be executed by the District Secretariat, Mullaitivu and 06 Divisional Secretariats, the reasons for it had not been submitted. | Actions should be taken to subject to review and implement the action plan in terms of this circular. | Actions had been taken to rectify the errors in the future. |

3.1.2 Failure to obtain Expected Outcomes

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|--|---|
| ----- | ----- | ----- |
| (a) One hundred and eighteen housing projects valued at Rs. 183.9 million implemented for general public by the Divisional Secretariats, Manthai East, Oddusuddan, Thunukkai and Maritimpattu through funding by 12 categories of projects had | Meaningful actions should be taken to review the housing plans and ensure the optimum utilization. | Actions had been taken to rectify the errors in the future. |

remained idle for the last 02 to 06 years.

- | | | |
|--|--|--|
| <p>(b) Out of fund received from the National Children Protection Authority, a Protection Centre for unsafe and abused children had been constructed by the District Secretariat at Selvapuram, Mullaitivu at a total cost of 24.19 million and handed over to the District Secretary on 26 December 2014 with 481 inventory items and fittings. However, expected outputs had not been obtained from this Centre for over the last 04 years and feasibility report, details of unsafe and abused children and actions for utilizing the Centre effectively had not been made available to audit up to date.</p> | <p>Meaningful actions should be taken to ensure the optimum utilization.</p> | <p>Actions had been taken to rectify the errors in the future.</p> |
|--|--|--|

3.1.3 Delays in execution of Projects

 The following matters were observed.

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|---|--|
| ----- | ----- | ----- |
| <p>(a) It was observed that sixteen road rehabilitation and other capital works valued at Rs. 9.73 million to be completed at the end of the year under review through the funds of Gamperaliya programme and project of the office of the Ministry of National Integration and Reconciliation had not been completed and payment cheques had been prepared therefor.</p> | <p>Payments should be made only for completed works in terms of Financial Regulation 139.</p> | <p>Actions had been taken to rectify the errors in the future.</p> |
| <p>(b) Thirteen works funded by</p> | <p>Proper internal control</p> | <p>Actions had been taken</p> |

Rural Infrastructure Development Special Programme (RIDSP), Task Force on Resettlement (TFR) and Reconciliation Focused Economic Empowerment Project (REEP) in the year under review had not been completed up to now. However, bill of quantities, payment vouchers, work completion reports and handing over letters in respect of works valued at Rs. 8.6 million which were certified as completed fully had been prepared by the Divisional Secretariat, Puthukkudiyiruppu and cheques also drawn in this regard and kept at Divisional Secretariat.

system should be developed in respect of cheques drawn for the transactions without being certified properly in terms of Financial Regulation 138.

to rectify the errors in the future.

3.2 Procurements

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though procurement plan had been prepared by the Divisional Secretariat, Maritimappattu for the year under review, the furniture and fittings which were not included therein totalling Rs. 642,460 had been purchased. However, No meaningful actions had been taken to subject to review this procurement plan and carry out procurement activities efficiently.

Actions should be taken to purchase goods and services as per procurement time schedule considering the matters included in the annual procurement plan.

Actions had been taken to rectify the errors in the future.

3.3 Assets Management

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|--|---|
| ----- | ----- | ----- |
| (a) Even though a generator issued by the Ministry of Disaster Management had remained idle at the District Secretariat, Mullaitivu without being utilized for over the last 03 years, another new generator (502 KW) valued at Rs. 9.80 million had been purchased by the District Secretariat in December 2016. However, details such as purposes of these two generators, cost of the generator which issued by the Ministry of Disaster Management and skill operator details of these machineries had not been made available to audit. However, new generator had been kept at store without being maintained and utilized properly. | Meaningful actions should be taken to establish an effective mechanism in order to utilize for the purpose which generators was purchased. | Actions had been taken to rectify the errors in the future. |
| (b) Follow up actions to be carried out by the District Secretariat, Mullaitivu and 06 Divisional Secretariats as per recommendations of annual Board of Survey for the year under review in terms of Financial Regulation 757 were at poor level. | Meaningful actions should be taken in terms of Financial Regulation 757. | Actions had been taken to rectify the errors in the future. |

4. Sustainable Development

4.1 Achievement of Sustainable Development Goals

Audit Observation

Every Public Institution should act in compliance with the 2030 Agenda on Sustainable Development Goals adopted by the United Nations and having adopted the Sustainable Development Act No. 19 of 2017 on 03 October 2017, Every Public Institutions had been made aware on the above matter by Circulars. Accordingly, Every Public Institutions should aware as to how it should take action in respect of functions coming under the purview of the respective Institution. Nevertheless, the goals and targets relating its functions and the indicators required for measuring the achievement of those targets had not been recognized.

Recommendation

Sustainable development goals should be recognized and actions should be taken in terms of the circulars.

Comments of the Accounting Officer

Actions had been taken to rectify the errors in the future.

5. Human Resources Management

5.1 Approved Cadre and Actual Cadre

Audit Observation

Details of cadre approved by the Department of Management Services and actual cadre in respect of District Secretariat, Mullaitivu and 06 Divisional Secretariats had not been made available properly, thus personnel emoluments and

Recommendation

Actions should be taken to submit the details of cadre approved by the Department of Management Services and actual cadre to audit.

Comments of the Accounting Officer

Actions will be taken in the future.

assignments of duty could not be satisfactorily vouched or accepted in audit.