

Head – 268 - District Secretariat, Kilinochchi

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Kilinochchi for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the 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. The summary report containing my comments and observations on the financial statements of the District Secretariat, Kilinochchi was issued to the Accounting Officers on 29 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 31 July 2019 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the District Secretariat, Kilinochchi as at 31 December 2018, and of its financial performance and its 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 Accounts and Reconciliation Statements

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 provisions in Section 38 of the National Audit Act, No. 19 of 2018 and for such internal control as management 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, Kilinochchi 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 exists in the District Secretariat, Kilinochchi and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of 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 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 scepticism 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 Kilinochchi District Secretariat'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 and Regulatory Requirements

I express the following matters in accordance with Section 6(d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) Financial statements of the District Secretariat, Kilinochchi for 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 for the preceding year, thus recommendations on financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Presentation of Accounts

The following observation is made.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| ----- | ----- | ----- |
| Reconciliation Statement on Advances to Public Officers Account <hr/> <p>The reconciliation statement on Item 26801 Advances to Public Officers' Account in terms of State Accounts Circular No.256/2017 of 05 July 2017 and State Accounts Circular No.267/2018 of 21 November 2018, annual financial statements should be presented to the Auditor General before 28 February 2019. However, they had been presented to Audit on 15 May 2019, after a delay of 02 months.</p> | <p>Action should be taken submit to reconciliation statement in accordance with the State Accounts Circular No. 267/2018 dated 21 November 2018.</p> | <p>Not replied.</p> |

1.6.2 Non-compliance with Provisions in Circulars

Although the financial statements should have been prepared in accordance with the State Accounts Circular No. 267/2018 dated 21 November 2018, there were instances of non-compliance with that requirement as specified given below.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| <p>(a) In terms of the Circular No. 267/2018 of State Accounts, dated 21 November 2018, The statement of liabilities and liabilities under Note (iii) of the funds must comply with the obligations and liability statement disclosed for each cost heading of the Treasury. However, liabilities amounting to Rs 442,488 in the Treasury's liability statement have not been disclosed in the Kilinochchi District Secretariat Fund. This has reduced the responsibilities.</p> | <p>The provisions of the appropriate circulars should be clearly outlined and the financial statements prepared</p> | <p>Sum of Rs. 442,488 of the note was not included in the financial statement of note iii, although the amount was included in the note iv. Instructions have been issued to the relevant officers to ensure that such errors do not occur in the future.</p> |
| <p>(b) In terms of the Financial Regulation 106 and 113, under 41 cases worth Rs. 72,841,466 in the Loss statement, vacating, and deduction of the following losses were not excluded from the books in the review year, but were not brought to account by Financial Note (i).</p> | <p>And When preparing the financial statements for each financial year In respect of the accounts receivable, the previous year financial statement should be compared.</p> | <p>Mistakenly had not included. However, above amount will be ensure the financial statement for next year.</p> |

1.6.3 Accounting Deficiencies

(a) Capital Expenditures

It was observed the capital expenditures at the audit test check. that details are given below.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| <p>(i) Agreements were signed to purchase water spraying equipment for chilli cultivation at a cost of Rs.5,589,000. Checks were written stating that the work had been completed on 31 December 2018,</p> | <p>Payments should be made only after the work is completed.</p> | <p>Even though the dust suppliers were fitted with the goods supplied by the relevant supplier and the relevant beneficiaries were provided, the checks were</p> |

but two cheques valued at Rs. 1,701,000 had not been delivered to the contractor by 13 May 2019, as the work was not completed.

not issued as they were not provided with the user specifications. The project is currently completed.

- (b) D**
- (ii) e** Agreements were signed to construct a vehicle parking in the Divisional Secretariat, Poonakary at a cost of Rs. 2,357,425. Even though, cheques valued at Rs. 548,554 had been written stating that the works had been completed on 31 December 2018, those cheques had not been delivered to the contractor by 13 May 2019, as the works were not completed.
- P** Payments should be made only after the work is completed.
- T** The work has been completed and the cheques has been issued.
- (iii) s** Agreements were signed to construct a canteen in the Divisional Secretariat, Poonakary at a cost of Rs. 4,681,811. A cheque was written stating that the work had been completed on 31 December 2018, but the cheques valued at Rs. 239,974 had not been given to the contractor by 13 May 2019, as the work was not completed
- T** Payments should be made only after the work is completed.
- h** The work has been completed and the cheques has been issued.
- e**
- (iv) f** Construction of hostel facilities at Kilinochchi District Secretariat was signed at a cost of Rs. 17,597,100. Two cheques were written stating that the work had been completed on 31 December 2018, but the work had not been completed by March 14, 2019. As a result, the two cheques, worth Rs. 11,295,101, had not been delivered to the relevant contractor as of 13 May 2019.
- O** Payments should be made only after the work is completed.
- l** Action will be taken.
- l**
- o**
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- s**

erved were made in the deposits of the financial statement

| Audit Observation | Recommendation | Comments of the Accounting Officer; |
|--|--|--|
| ----- | ----- | ----- |
| (i) The balance of the deposit balance as at 31 December 2018 amounted to Rs. 64,306,048 and the sum of the remaining balances in the treasury books amounted to Rs. 61,822,697. | Balances should be reconciled. | Not replied. |
| (ii) Total deposits of Rs 1,575,494 had been over two years in the Kilinochchi District Secretariat and Divisional Secretariats. Action has not been taken accordance with Financial Regular 571. | Action should be taken in terms of F.R 571. | These deposits will be continued in accordance with the relevant financial regulations |
| (iii) A sum of Rs. 3,091,377 which had been provided by the District Secretariat, Kilinochchi and other Ministries and Departments of the Divisional Secretariats. Works had not completed money had not been utilized for the Purposes of the works, had been kept in the deposits account. | Action should be taken to complete the work on time provided fund by other Ministries and Departments. | Action should be taken for the release the deposits after completed of the purpose. |

(c) Property, Plant and Equipment

The following deficiencies were observed relating to accounting for Property, Plant and Equipment.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| ----- | ----- | ----- |
| Separate realization of assets included in the initial balance expressed in the financial statement as non-current assets. It is not possible to verify that all the assets belonging to the District Secretariat, Kilinochchi have been included in the financial statements due to lack of records. | Registers should be maintained separately to ensure the balance. | CIGAs Account was adjusting through system. Actions have been maintaining registers separately in future. |

(d) **Advance Account Balance**

The following deficiencies were observed relating to accounting for Advance Account Balance.

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| According to the reconciliation statement submitted for the audit. Sum of Rs. 889,765 arrears balance was salary of the remuneration of retired, vacated and dismissed officers. A sum of Rs. 644,195 of those outstanding balances had been in existence for from 09 years to 15 years. Actions taken to collect these outstanding balances were not at a satisfactory level. | Constructive action should be taken to recover outstanding balances. | Action of written off are being initiated and are currently being completed. |

(e) **Impress Balance**

The following deficiencies were observed relating to impress balance.

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| During the year submitted for audit as Cash flow statement (ACA-C) had been disclosure the non-revenue receipt of Rs. 1,327,318,740 and sum of Rs. 1,328,093,132 as work advance Accounts (ACA-3). Due to this Rs. 774,392 has been different. | All the balances should be reconciled when preparing the financial statements. | District Secretariat impress received from Treasury and advance had been allocated to the divisional secretariat for the construction works, after the Divisional Secretariats received the allowance from the Fund at the end of the year, the remaining work advance is returned to the District Secretariat. Therefore, Sub impress received from the divisional Secretariat amount of Rs 566,892 had been included under total non-revenue in the cash flow statement. |

(f) Non- maintenance of Books and Registers

It was observed at the audit test check that the District Secretariat had not maintained the following registers.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| ----- | ----- | ----- |
| (i) Security Register | | |
| ----- | | |
| Even though, a security register, containing the names of all officers required to give security had been maintained in terms of Financial Regulation 891(1) it had not been prepared. | Security register, containing the names of all officers required to give security should be maintained in terms of Financial Regulation 891(1) | Actions are being taken to maintain the register of the Security. |
| (ii) Revenue Register | | |
| ----- | | |
| There are no registers that can be verified regarding collected rentals details from the officers in review year | Action should be taken to maintain the rent recovery register. | At the first time in 2019 the rent recovery register was properly maintained. |

(g) Lack of Evidence for Audit

Audit evidence had not been made available relating to the following transactions.

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|--|---|
| Work Advance of Rs. 903,856,837 was disclosed in the financial performance. Rs. 904,772,922 filed as expenses incurred by the Department from this impress to other Ministries. The relevant copy of the Treasury Printing Model BTBL 31 and BTBL 67 are not submitted for audit. | Financial Statement should be submitted reconciliation of all valuation. | Treasury Printing Forms will be sent to the relevant ministry by the Treasury. Financial Performance has been included in the availabilities expenses summary of CIGAS of the District Secretariat. |

(h) Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with Law, Rules and Regulations observed at the audit test checks are analysed below.

| Reference to Laws, Rules and Regulations ----- | Audit Observation ----- | | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|-----------------------------------|---|--|--|
| | Value | Non-compliance | | |
| Treasury Circular ----- | Rs. | | | |
| (i) Public Financial Circular No. 03/2015 dated 14 July 2015. | 1,433,372 | A sum of Rs. 1,433,372 paid out on 25 instances despite the sub impress being settled within 10 days of the completion of the works. The active sub impress was settled after a delay of 31 days to 179 days. | Action should be taken in accordance with the relevant circular. | Refund will be confirmed according financial regulations circular in the future. |

| | | | | |
|---|-----------|--|--|--|
| (ii) Public Financial Circular No.03/2015 dated 14 July 2015. | 5,891,651 | According to the Public Financial Circular No.03/2015 dated 14 July 2015 amended financial regulation 371(5), A sum of Rs. 5,891,651 paid out on 11 instances of Divisional Secretariat, Karachchi despite the sub impress being settled within 10 days of the completion of the works. The active sub impress was settled after a delay of 37 days to 143 days. | Action should be taken in accordance with the relevant circular. | Refund will be confirmed according financial regulations circular in the future. |
|---|-----------|--|--|--|

(i) Fraudulent Transactions

It was observed the fraudulent transactions at the audit test check. that details are given below.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| ----- | ----- | ----- |
| In terms of the department of Samurdhi development of society bank Circular No. 2017/05 dated 07 April 2017, Under the LPG cylinder block distribution scheme, Poonakari Samurdhi Bank, Kilinagar Samurdhi Bank and Vattakachchi Samurdhi Bank received LBK cylinder bundles and gift vouchers from donors worth Rs. 63,270, Rs. 456,650 and Rs. 142,274 respectively. These were distributed among Samurdhi officers in a manner Chapter XXXII Section 2.1 of the Establishment Code of the Democratic Socialist Republic of Sri Lanka. | Action should be taken accordance with establishment code. | Action should be taken recovered from the relevant officer. |

2. Operational Review

2.1 Non- Completion of Project

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| <p>-----</p> <p>Sum of Rs. 44,794,141 as at 31 December 2018, 68 cheques had been drawn up indicating the work had been completed by the Divisional Secretariat and under 04 Divisional Secretariats. However, these checks were not issued to the specifics until 10 April 2019 and no financial proceedings have been carried out. It was observed that the state funds were not used efficiently and in term of financial regulation 137 and 138.</p> | <p>-----</p> <p>Cheque writing procedures for uncompleted works should be avoided</p> | <p>-----</p> <p>Un completed works of Rs. 520,873 was included in the Arbitration. Rs. 283,232 was transfer to income and action had been taken to hand over Rs, 1,258,269.</p> <p><u>Kandawalai Pradeshiya Sabha</u></p> <p>-----</p> <p>08 cheques was issued to the relevant person and action had been taken 02 cheque was issued.</p> <p><u>Poonakary Pradeshiya Sabha</u></p> <p>All cheque had been issued to the relevant persons.</p> <p><u>Pachchilai palli Pradeshiya Sabha</u></p> <p>09 cheques was issued to the relevant person and action had been taken 03 cheque was issued.</p> <p><u>Karachchi Pradeshiya Sabha</u></p> <p>All cheque had been issued to the relevant persons.</p> |

2.2 Procurements

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| ----- | ----- | ----- |
| (a) Notice that the mandatory period for submission of bids should be within two weeks from the date of receipt of the National Procurement Agency's guideline as mentioned in the Supplement No. 31 Para 4.2.3 dated 15 March 2017. The agreement was signed with the District Secretariat's 21 work projects delayed and resolutions passed and an acceptance letter issued. | Should be followed the procurement guild line. | Due to delays in meeting the receipt committee meetings and delay in submission of acceptance letter due to delay in meeting the receipt committee member's work force. |
| (b) When using ICTAD / SBD / 03 for less than 10 million works, the CIDA registered should remain in operation of bid throughout the validity period, although the CIDA register states that during the initial assessment, the CIDA register should be examined when a decision is made by the Technical Evaluation Committee. 02 work project cost of Rs. 2,958,364 was matured validation of CIDA registration and 02 works of Rs. 4,120,000 was submitted CIDA Registration. This contractor was also given contract work. | Should be ensured the ICTAD registration of effect. | When Survey was viewed by the technical team at www.cide.gov.lk the CIDA book of the questionnaire was updated and the contractor was assessed by the contractor at the time of assessment. |
| (c) In terms of Guideline 8.7 of the Government Procurement Guidelines, although it is stated that the contract should be made within the validity period of the bid and with the completion of the final offer of the contract with a delay of 22 days after the expiry of the validity period of a program worth Rs. 4,550,000. A letter of acceptance was sent and the contract was signed after the bid was finalized. | Agreement should be made while the bidder's security responsibility is active. | Procurement committee was committed regarding the procurement decision for more than 3 times, it had been delay, due to the lack of bid documents. |

2.3 Public Officers Security Deposits

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| (a) Security deposits money have not been received from all officers who are required to pay the security deposits in term of Financial Regulation 880. | Security Money should be recovered from relevant Officers. | Action had been taken recover the security deposits from unpaid officers. |
| (b) In terms of Financial Regulation 881(i), an officer appointed to a post of Security deposits shall be paid within two months from the date of appointment or transfer of such office. In the event that the officer failed to pay the required security deposits within three months, no action had been taken by the District Secretariat. | Action should be taken in terms of Financial Regulation 881 (i) | Action had been taken recover the security deposits |
| (c) No action has been taken in this regard even though the heads of the Departments have stipulated that their Subordinate Officers are required to pay the security deposits within the stipulated time period accordance with Financial Regulation 881 (ii). | Action should be taken in terms of Financial Regulation 881 (ii) | Action should be taken. |

2.4 Losses and Damages

| Audit Observation | Recommendation | Comments of the Accounting Officer; |
|---|---|---|
| Compensated by insurance for 05 vehicle losses affected by accidents and balance of loss accounts Rs. 1,621,201 have not been brought into account from 01 to 07 years. | Action should be taken to disclose the losses damage accounts by accidents. | Action will be taken to include in the financial statement in future. |

2.5 Management Weaknesses

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| ----- | ----- | ----- |
| Following are the details of the audit queries included in the report of the Auditor General of the Kilinochchi District Secretariat. | | |
| (i) Construction work of the Kandawala Divisional Secretariat building has not been completed. | Construction works should be completed. | Construction work of Kandawalai building is completing |
| (ii) Action has not been taken regarding the aggregate of over payments for contract work amounting to Rs. 686,492. | Over Payments should be recovered. | Soranpattu Roads over payment recovered from retention money. The over payment for the Siddappa shop road program has been deducted from the sum of Rs. 2,221,619. The letter has been sent to balance of balance for the adjustment. |
| (iii) Rs. 4.225 Million Unsettled the paddy purchase advance up to date has not been fully recovered in accordance with the dictates of the Parliamentary Public Accounts Committee held on 8 April 2014. | Advances should be settled. | Rs. 4,125,000 is currently outstanding. Collecting is done on a monthly instalment basis |
| (iv) Cost of Rs. 1,554,000 of the Mazar Kollakurichi Salt Water Resistance Program has not been completed till date. | Plan should be completed. | The cheque was drawn according to the decision of the Department of Agriculture that the allowance would be paid for the work completed by the Mazar program. However, the cheque has been transferred to the income account since the report of the Completed Completion is not available from the Department of Agriculture. |

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|--------|--|---|--|
| (v) | In 2017, Rs. 20 million of construction work provided by the District Secretariat to the Department of Buildings for the construction of the Kandawalawela Divisional Secretariat has not been completed till date. | Work Plan should be completed | Construction work of the Kandawala Divisional Secretariat is underway. It will be handed over to the public soon. |
| (vi) | Rs. 1,348,904 was spent on the accident of the vehicle of the Kandawala Divisional Secretariat on 16th June 2017. In this regard, action has not been taken up to date as per the financial regulation. | Action should be taken in terms of Financial Regulation. | An inquiry committee has been appointed. Action will be taken after the inquiry report is received as soon as possible. |
| (vii) | Actions had not been taken to collect the officers' Loan arrears amounting to Rs 517,803. | Arrears payment should be recovered. | An application has been sent to the Ministry of Public Administration and Home Affairs for registration. |
| (viii) | Rs. 168,408 or 15 per cent of the amount allocated for training of employees was unused. | Allocation of workshops should be properly and fully utilized | Although the workshop was scheduled for the end of the year, due to heavy flooding in the Kilinochchi district, it was not possible to conduct training classes. Therefore, that allocation of Rs. 168,408 was not used. |
| (ix) | Recurrent Expenditures for the review year had not been utilized of expenditures head 1003, 1403, 1203 such as amount of Rs. 7,379,051, Rs. 102,955 and Rs. 25,000 respectively. This net provision was 14,9,11 per cent respectively. | Provisions should be fully utilized. | 1003- Provision was excess due to some officers receiving no -pay leave and half pay leave. 1403 - Officers have not used the expected amount of railway warrant. 1203 - Two officer retired and office employee |

3. Human Resource Management

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| (a) There was excess 05 staff, 69 vacancies, 469 actual staff and 533 approved cadres in District Secretariat. | Action should be taken to recruit officers for the vacant posts. | The request application has been sent and discussed with the relevant ministries. |
| (b) The posts of Divisional Secretary and 5 Administrative Officers for the Divisional Secretariat, Kandawala had not been filled. | Action should be taken to recruit officers for the vacant posts. | The request application has been sent and discussed with the relevant ministries. |