

Head 269 – District Secretariat, Batticaloa

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the District Secretariat, Batticaloa 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, Batticaloa was issued to the Accounting Officer on 22 May 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the District Secretariat, Galle was issued on 28 May 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, Batticaloa 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 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 opinion.

1.3 Responsibility of the Accounting Officer for the Financial Statement

The Accounting Officer are 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 Chief Accounting Officer and 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 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 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 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 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 Requirements

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

- (a) As there was no requirement of preparation of financial statements for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.
- (b) As there was no requirement of preparation of financial statements by the District Secretariat for the preceding year, recommendations on financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of the Financial Statements with Provisions of the Circulars

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) In terms of Section 07(iv) and (v) of the Circular No. 267/2018 of the Department of State Accounts, dated 21 November 2018, equivalent value of total assets and liabilities should be disclosed in the statement of financial position. However, assets and liabilities of the District Secretariat were Rs. 2,270,569,959 and Rs. 110,081,007 respectively.	In terms of the Circular of the Department of State Accounts, dated 21 November 2018, equivalent value of assets and liabilities should be disclosed in the financial statement.	Equivalent value of total assets and liabilities of the District Secretariat had not been shown in the financial statements.
(b) In terms of Section 07(ii) of the Circular of the State Accounts, it was stated that entire revenue of other ministries and departments should not be included in the form ACA-1 of the revenue statement. However, contrary to the circular, a sum of Rs. 141,555,915 had been included.	Revenue of other ministries and departments should not be included in the form ACA-1 of the revenue statement.	As usual, we had shown revenue under revenue head in the appropriation account, thus a sum of Rs. 141,555,915 had been included in the revenue statement of the financial statement for this year.

1.6.2 Accounting Deficiencies

The following accounting deficiencies were observed.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) According to the treasury printout, total value of noncurrent assets had been shown as Rs. 1,748,314,898. However, that value had been shown as Rs. 2,145,173,771 in the financial statements of the District Secretariat, thus the noncurrent assets had been overstated by Rs. 396,858,873.	The value of the assets of the District Secretariat should be equal to the value of the assets stated in the treasury printout.	It was informed to the Department of State Accounts, General Treasury in respect of this difference in writing by the letter no. ACC/ASTRR/CU-04/2019-01 of 05 February 2019 and the letter no. ACC/ASTRR/CU-04-2019-01 of 25 March 2019 as per the letter no. SA/AS/DD/General of 21 March 2019 of Department of State Accounts.
(b) Deposit payments of Rs. 532,518,047 and advance payments of Rs. 43,940,552 made by cash in the year under review had not been shown under cash out flow from operational activities in the statement of cashflow.	Payments made by cash should be recognized correctly and shown in the financial statements.	It was stated payments of deposit and advance in the form ACA-F, thus the payments of deposit and advance for this year had been shown it. However, that amount had not been shown as cash out flow from operational activities erroneously.

1.6.3 Non-recovery of recoverable Loan Balance

Audit Observation	Recommendation	Comments of the Accounting Officer
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The total sum of balances remained as outstanding as at the end of the year under review amounted to Rs. 212,630. Even though, those outstanding balances remained over a period ranging from 02 years to 03 years, recovery activities of outstanding balances had been at a weak level.	Actions should be taken against the officers who had not been repaid the loan in terms of provisions made in the Establishment Code.	Actions had been taken to recover from death gratuity. Once death gratuity obtained, it will be settled. Actions had been taken to file a case against the officer in respect of recovery of outstanding loan of officers on 23 June 2017.

2. Financial Management

2.1 Imprest Management

Audit Observation

As it is intended to implement particular works at the end of the year without being completed such works within the intended period as planned, there were many instances that works had not been completed and it was mentioned that required imprests had not been given by the treasury. Accordingly, two hundred and thirty three works valued at Rs. 424,676,441 could not be completed during the year under review.

Recommendation

Action should be taken to complete such works within the intended period through obtaining imprest as planned.

Comments of the Accounting Officer

when line ministries issue allocations at the end of the year, it could not be completed within the intended period due to non-stability of weather.

2.2 Revenue Management

Audit Observation

Revenue estimate for other receipts in the year under review was Rs. 4,750,000. However, actual collected revenue was Rs. 18,281,047, thus it was not prepared revenue estimate practically.

Recommendation

Revenue estimate should be prepared practically according to the provisions made in the financial regulations.

Comments of the Accounting Officer

It was added auction income, un-presented cheques to the Government revenue as per financial regulation 571, thus actual revenue is higher than estimated revenue.

2.3 Expenditure Management

The following observation is made.

Audit Observation

Out of total net provision of Rs. 6,525,000 made for 03 recurrent expenditure items, a sum of Rs. 2,484,850 had been transferred to other expenditure

Recommendation

Accounting Officer should take action to prepare estimates as possible as completely and accurately as per financial regulation 50.

Comments of the Accounting Officer

As a budget prepared including expected expenses had been used in the particular year, savings and over expenses were incurred

items under financial regulation 66. It was a range from 36 per cent to 50 per cent of the provision.

unfortunately due to changes of price, weather changes. as a result, transfer had to be made.

3. Operating Review

3.1 Failure to obtain Expected Outcomes

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>a swimming pool had been constructed at a cost of Rs. 197.47 million in the year 2017 in order to provide training in swimming and exhibit skills of swimmers in the Batticaloa District and handed over to the Municipal Council, Batticaloa,. However, it was given to a Private Institute for training of swimming on the basis of lease in the view of earning revenue without being giving opportunities to the swimmers to get swimming training It was not achieved expected objectives from this project.</p>	<p>-----</p> <p>The swimming pool should be used in order to achieve purpose of construction.</p>	<p>-----</p> <p>This swimming pool had been handed over to the Municipal Council, Batticaloa and a sum of Rs. 76,220 was incurred for maintaining it cleanly and hygienically. This pool is given on lease to earn income during part time for covering such expenses.</p>

3.2 Commitments and Liabilities

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Assessment tax of Rs. 190,668 payables to the Municipal Council, Batticaloa for the period 2006 to 2013 on behalf of the building belonging to the District Secretariat had not been settled even up to 15 May 2019.</p>	<p>-----</p> <p>Actions should be taken to pay assessment tax payables in the due period.</p>	<p>-----</p> <p>Actions were taken to write off it.</p>

3.3 Deficiencies in Management

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Activities in respect of acquisition of lands and resettlement of people who affected by tsunami had been completed by the Divisional Secretariat, Manmunai North in the year 2017. However, after that, a compensation of 6.3 million had been obtained by three persons who submitted illegal documents. Even though it was recommended by the responsible officers of that District Secretariat to pay compensation without paying attention in respect of accuracy of such documents, no disciplinary actions had been taken against the officers.	Disciplinary actions should be taken against officers who active as careless, neglect their works and made loss to the Government	It was informed to the ministry of internal and home affairs and provincial councils and local government to take relevant action against the officers who involved in acquisition of lands and it was informed to the Divisional Secretary, Manmunai North to take legal action against the persons who obtained compensation improperly.
(b) The Management had failed to implement adequate internal controls in respect of payment made through cheques and maintaining records at the Samurdhi office of Batticaloa District. As such, it was given opportunity to get money fraudulently from the cheque valued at 5,700,000 by an officer who worked at that office	Actions should be taken establish proper internal control activities in respect of cheque handling systems according to the provisions made in the financial regulations.	Daily cheques had not been checked and certified by the responsible officers. However, at present, that officer had been transferred out after subjected to disciplinary actions. Actions had been taken to avoid these errors.
(c) According to the Financial Regulation 177, all monies received on behalf of the Government should be	Action should be taken in terms of Financial Regulation 177	An inquiry of one man committee was instituted to find out in this regard. Once that inquiry finished, action

deposited in the bank daily or as early as possible. However, a sum of Rs. 474,514 had been deposited by District Secretariat, Earavur in 08 instances after a delay from 03 days to 04 days.

will be taken in this regard.

4. Human Resources Management

Audit Observation

Permanent officers had not been recruited to the vacancies remained in ten posts of admin officer, thus admin activities of the Divisional Secretariats were at a weak level.

Recommendation

Actions should be taken to recruit permanent officers to the ten posts of admin officer remained as vacant.

Comments of the Accounting Officer

It was informed to the Secretary to the Ministry of Home Affairs in respect of refilling of the vacancies remained in the post admin officer.