

## **Head 271 – District Secretariat - Trincomalee**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the District Secretariat, Trincomalee 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 Department of Agrarian Development was issued to the Chief Accounting Officer 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 of the Department of Agrarian Development was issued to the Accounting Officer on 31 May 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 District Secretariat, Trincomalee as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles

#### **1.2 Basis for Qualified Opinion**

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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 Responsibilities of Chief Accounting Officer and Accounting Officer on Financial Statements**

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Preparation of financial statements in a manner that reflects a true and fair position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the District Secretariat in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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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 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.
- It is not intended to express an opinion on the effectiveness of internal control of the District Secretariat to plan appropriate audit procedures in a timely manner.
- Evaluate Structure of Financial Statements Including Disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) As there was no need for the District Secretariat, Trincomalee to prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the District Secretariat, Trincomalee to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been furnished.

## 1.6 Comments on Financial Statements

### 1.6.1 Submission of Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
<b>Annual Financial Statements</b>		
<p>Even though in terms of the Public Accounts Circular No. 267/2018 dated 21<sup>st</sup> November 2018, Financial Statements for the year 2018 should be furnished to the Auditor General on or before 28<sup>th</sup> February 2019. However, it was furnished to the audit on 01 April 2019 after a delay of 01 month.</p>	<p>Action should be taken to furnish financial statements on due date according Circular.</p>	<p>I kindly point out that, the Financial Statements will be submitted on or before 28<sup>th</sup> February.</p>

### 1.6.2 Statement of Financial Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although the railway Warrant Expenditure should be debited to the object 271-1-1-0-1003, due to the Railway Warrant expenses of Rs.76, 420 debited to Object 271-1-1-0-1401 by the District Secretariat, other Goods and Services Benefit Expenses of the Financial Performance Statement overstated by Rs.76, 420.</p>	<p>The expenses of railway Warrants should be debited to the Object 1003.</p>	<p>As stated in the letter dated <b>08.01.2018</b> of the General Manager of Sri Lanka Railways, according to the Circular No. GMR/SAR(R-II) 01.01/2016, Object 1003 which is used for railway Warrant expenditure has been transferred to expenditure under Object 1401 with effect from January 2018.</p>

### 1.6.3 Statement of Financial Position

Following audit observations were revealed in this regard.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although it was stated that identifying and measuring property, plant and equipment on the basis of financial statement reporting was done to the cost and the revalued value would be used when the cost model was not applicable, but the financial statements did not state the assets which were recognized at cost and which were the estimated assets.	The basis for identifying and measuring property, plant and equipment must be specified.	That the financial statement format does not allow showing the basis for identifying property, plant and equipment, however, I would kindly inform you that when accounting asset values are recorded at cost as well as assessed value.
(b) According to the Statement of non-financial assets, the value of fixed assets as at 01 January 2018 was Rs. 1,601,358,977 and according to the statement of financial position as at 31 December 2017, it was amounted to Rs. 1,269,133,533 thus, an overstatement of Rs.332,225,444 had been indicated.	Should be tally with the balance in the statement of financial position.	The value of fixed assets as at 01 January 2018 amounting to Rs. <b>1,601,358,977 (ACA-6)</b> is correctly stated on page 33, in the statement of financial position, the balance of non-financial assets as at 31 December 2017 misrepresented as Rs.1,269,133,533.

- (c) According to the Treasury books, the value of non-financial assets as at 31 December 2018 was Rs. 820,091,564 and according to the statement of financial position, it was amounted to Rs. 1,636,948,492 thus, a difference of Rs.818,856,928 had been indicated. The balance of non-financial assets should tally with the Treasury books on that date. I would kindly point out that it was the same when comparing the values of the statement of financial position and the balance according to Treasury books through the online at the end of the year **2018**. However, the value as per the Treasury books in February **2019** has been shown to be wrong. Action is being taken to rectify this.
- (d) Although the Financial Statement (ACA-6) states that there is no disposals, according to the Treasury books disposals of Rs. 7,556,948 has been indicated thus, the Financial statements do not represent the correct value of the assets of the District Secretariat. The disposals made during the year under review should be disclosed in the financial statements. Since after these financial statements have been prepared by the Divisional Secretariats, action has been taken to dispose of the goods, the value of such disposed assets is not included in the financial statements and I would kindly state that arrangements will be made to prevent such things in the future.

#### 1.6.4 Reconciliation Statement of Advances to Public Officers Account.

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 Following observations are made in this regard.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Financial assets in the advance accounts of the financial statements shown as Rs.101,653,819, but according to the Treasury printouts the value was Rs.101,736,359 thus a difference of Rs.82,540 indicated.	Should be tally with the Treasury books.	The value of Rs. 101,653,819 comprises with Rs.100,000,903, which is the correct balance of the advances to public officers account, and other advances of Rs.1,652,917 paid to the Co-operative Wholesale Corporation for the purchase of paddy and I would kindly point out that it is not included in the Treasury printouts as it has already been sent to the Public Accounts Department to be written-off from the books..
(b) According to the Public Officers' Advance Account Reconciliation Statement prepared for the year under review, the total outstanding balances as at 31 December 2018 amounted to Rs. 1,947,451 it included loan balances of Rs.1,049,306 which were over 5 years.	Action should be taken to recover the outstanding balance.	I kindly inform that arrangements are being made to recover the outstanding balances of the advances to public officers' account.

#### 1.6.5 Certifications to be made by the Accounting Officer

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 Although the Accounting Officer should certify the following matters in terms of the provisions of Section 38 of the National Audit Act, No. 19 of 2018, actions had not been taken accordingly.

<b>Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the District Secretariat and the effectiveness of the system should be periodically reviewed	Action should be taken in accordance with the provisions of section 38 of the National Audit Act No. 19 of 2018..	According to the National Audit Act No 19 of 2018, such a review will be carried out in the future.

and the necessary modifications should be made to make the system work effectively and such reviews should be made in writing and submitted to the Auditor General, but no such reviews have been made.

#### 1.6.6 Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with Laws, Rules and Regulations observed in the audit test check are analyzed and shown below.

Observation	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules and Regulations	Rs.			
(i) Establishment Code of the Democratic Socialist Republic of Sri Lanka Chapter XIX Section 5.2.1	825,600	Not recovered house rental.	Action should be taken according to the Establishment Code.	Action has been taken to charge the assessment rental for some houses on the recommendation of the Housing Committee.
Chapter XIX Section 7.2	-	Penalty on rent not charged.	Action should be taken according to the Establishment Code.	When providing accommodation facilities to the officers who are serving in the district without transferring due to vacancies existing in the district, the Housing Committee has decided to allocate more than 5 years of housing on a reasonable basis, considering the need for the services and accommodation of such officers.

(ii) **Financial Regulations of  
the Democratic Socialist  
Republic of Sri Lanka**

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Financial Regulation 65 (4)  
Paragraph (XI)

1,150,000

Transfer of allocations made from supplementary estimates to other expenditure Objects.

It should not transfer the allocations made from supplementary estimates to other expenditure Objects.

The transfer was made because there was a shortage of provisions to pay personal wages to 74 new Public Management Assistants, 41 Grama Niladhari Officers and 12 Office Assistants who were recruited in May and June 2018.

(iii) **Public Administration  
Circulars**

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Section 3.1 of the Circular  
No.30/2016 dated 29  
December 2016.

Fuel consumption tests had not been done for the vehicles of the District Secretariat and Divisional Secretariats.

Action should be taken as per Public Administration Circular.

Tests regarding fuel burning will be carried out in the future.



## 2. Financial Review

### 2.1 Expenditure Management

Following audit observations are made on preparation of annual budget estimates, transfer of funds, utilization of funds and savings.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Even though it is the responsibility of the Accounting Officer to ensure that the estimates of his department are prepared as accurately as possible, Out of the net provision of Rs. 1,147,500 made for the two Objects 1401 and 2401 in the year under review, a sum of Rs. 896,136 had been saved and it was ranged from 48 per cent to 60 per cent.	Action should be taken according to the Financial Regulation 50(II).	These provisions were saved because of cost control and necessity didn't arise
(b) Although the Accounting Officer is responsible of to ensure that all the services that are reasonably quantified are included in the estimates and within the capacity of the Department to perform during that financial year, a sum of Rs.1,650,000 had been allocated from the annual estimate for the Objects 1203 and 1404 and out of that a sum of Rs.860,500 had been transferred to other Objects. It was ranged from 40 per cent to 63 per cent from the estimated provision.	Action should be taken according to the Financial Regulation 50(I).	The savings of these Objects has been transferred to other expenditure Objects in terms of the Financial Regulations 66 because of cost control and necessity didn't arise.

## 2.2 Utilization of funds provided by other Ministries and Departments

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Following observations are revealed in this regard.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Out of the allocation made by the Ministry of Irrigation and Water Resources Management (Expenditure Head 198) amounting to Rs.3,959,512, a sum of Rs.1,632,126 or 41 per cent had been saved.	Action plans should be prepared and implement projects to utilize the allocated funds.	Only releasing the provisions made from other Ministries and Departments is done by our institution and the savings of it is a process beyond our control.
(b) Out of the allocation made by the Ministry of Fisheries and Aquatic Resources (Expenditure Head 151) amounting to Rs. 68,382,159, a sum of Rs. 28,741,852 or 42 per cent had been saved.	Action plans should be prepared and implement projects to utilize the allocated funds.	The funds and imprest funds for development proposals for 2018 received to the office in early December 2018. Accordingly action was taken to release the funds / imprests to the relevant Divisional Secretariats for the implementation of the projects and there was insufficient time to adopt allocation procedures and other methods to implement these projects and other procedures.

## 3. Operational Review

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### 3.1 Local Funded Projects

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Audit Observation	Recommendation	Comments of the Accounting Officer
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As per Section 3 of the Circular No. MDA/01/2018 issued by the Secretary to the Ministry of Development Affairs on 30 January 2018, though projects for the provision of sanitation and electricity for rural schools should be implemented under the Object 104-02-06-06-2506 for the Infrastructure of Rural Schools, a	Prioritize the requirements of the relevant circular and the basic humanitarian requirement in selecting development projects.	With reference to the Letter of Releasing provisions of the Government Agent of Trincomalee No. GAT / ACC-2 / ALLOC / 104 / AMA02/2018 dated 31 August 2018 regarding to the eleven (11) development proposals of the Hon. Member of Parliament Abdul Maharroof, under the Backward Zone Development Program -2018 it has been approved and sent to us by the Government Agent of

sum of Rs.390,000 had been paid for supply of 03 photocopy machines to 03 schools of Al-Shafa, Al-Tariq primary, Al-Naja Arabic College, in Kanthale Divisional Secretariat Division.

Trincomalee by letter No. GAT/PLA/RRDP/ DO05/17 dated 21 August 2018. Accordingly, the Kantale Divisional Secretary has informed that our office has followed the procurement process of three (03) development projects such as supplying photocopy machines to Al-naja Arabic College, As-safa College and Al-Tariq Primary School.

### 3.2 Assets Management

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#### Audit Observation

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Action had not been taken to dispose 06 vehicles which were abandoned after use had been parked in the District Secretariat premises since 2016 for damage by natural disasters.

#### Recommendation

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An accelerated program for disposal of abandoned vehicles in accordance with Public Finance Circular No. **02/2015** dated July **10, 2015** and Asset Management Circular No. **01/2018** dated **19th March 2018** should be implemented.

#### Comments of the Accounting Officer

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The disposal is scheduled to be completed before the end of the third quarter of 2019.

### 3.3 Management Weaknesses

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Following audit observations were revealed in this regard.

#### Audit Observation

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- (a) Legal actions has not been taken to recover the arrears of rent of Rs. **387,800** from residents of Government House No. **1B** and **3B** in Port Road, which belongs to the District Secretariat.

#### Recommendation

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Legal action should be taken to recover arrears of rent.

#### Comments of the Accounting Officer

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One officer has settled the outstanding dues on **10.07.2019**.

The relevant officer has been informed by the respective Heads of Departments to settle the outstanding amount of Rs.39,375 promptly.

- (b) There was no transfer policy had implemented in respect of officers who exceed 05 years of service in the District Secretariat and Divisional Secretariats. Action should be taken in accordance with Public Administration Circular No. 18/2001 dated 22 August 2001. In regard to officers of the Combined Service for more than 05 years, it has been proposed to transfer them through internal transfers and annual transfers. Some of the transfers have been implemented but some of them had to remain in their offices for over 5 years due to the vacancies.
- (c) Action had not been taken to recover excess payments of Rs.495,978 made to three pensioners in the Kinniya Divisional Secretariat Division from November 2015 and January 2018. Action should be taken to recover the overpaid pension. Action is being taken to recover the overpaid money to these three pensioners from the Department of Pensions.
- (d) Even though, the total value of accidents caused by 09 vehicles belonging to the District Secretariat and Divisional Secretariats during the period 2002 to 2014 was estimated to be Rs.4,699,905, due to the delay in investigations, no charges were made. Should be comply with the Financial Regulations 104 (3) and 104 (4) regarding vehicle accidents. Some of these accidents are more than 20 years and committees have been appointed to take action. 06 more accident files have to be completed and the rest of the files are finished. All work is scheduled to be completed before the end of the third quarter of 2019.

#### 4. Achieving the Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The officials were not adequately aware of the Sustainability Goals and because of the lack of accurate identification of the Sustainable Development Goals, it was not possible to evaluate the achieving targets for the year under review.	It should be identified and implemented sustainable development goals.	Steps have been taken to streamline the internal control system and to conduct capacity training programs for officers to fully utilize the resources, manage the resources and strengthen the enabling environment for transparency within the public sector legal framework. It has been emphasized that this has

provided the necessary background to reach the Sustainable Development Goals.

## 5. Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Action had not been taken to fill total vacancies of 229 containing 15 vacancies for executive level, 20 vacancies for tertiary level officers, 163 vacancies for secondary level officers and 31 vacancies for primary level officers.</p>	<p>Prompt attention should be paid to fill the vacancies in essential posts and action should be taken to fill them.</p>	<p>I kindly inform that request made to the Ministry of Public Administration to pay attention to fill the vacancies.</p>