

## **Head – 266 - District Secretariat, Vavuniya**

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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, Vavuniya for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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, Vavuniya was issued to the Accounting Officers on 30 May 2020 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 21 July 2020 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 prepared in accordance with the provisions in the State Finance Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the District Secretariat, Badulla as at 31 December 2019, 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**

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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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements**

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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 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 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**

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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 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 and Regulatory Requirements

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I express the following matters in accordance with Section 6(1)(d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) The financial statements are reconciliation with the previous year
- (b) The recommendations made in my report on the financial statements made during the previous year regarding the observations contained in paragraphs 1.6.2 (a) and (b) of this report had not been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement of Financial Position

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Statement of Financial Position as at 31st December of the year under review Property Plant and Equipment Value Rs.1,579,055,053 but according to the Treasury books it was Rs.1,576,746,739 only and a difference of Rs.2,308,314 was observed.	The balances should be the same according to the department books and the treasury.	Corrections have been notified to the Treasury.

### 1.6.2 Cash Flow Statement

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The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Proceeds from the sale of physical assets during the year under review amounted to Rs.166,450 was not accounted for as cash flow from investment activities in the cash flow statement.	Cash from the sale of assets should be accounted for as cash flow from investment activities in the cash flow statement.	Will make an accurate note of next year's accounts.

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| (b) | The amount received by the public officers in the advance account during the year under review was Rs. 2,533,523 interest was not accounted for as cash flow from the cash flow, investment activities in the statement. | The interest on the advance account to the public officers should be accounted for as cash flow from the investment activities in the cash flow statement. | Will make an accurate note of next year's accounts. |
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**1.6.3 Certification to be made by the Accounting Officer**  
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According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Accounting Officer was required to certify in the following matters but had not acted accordingly.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system is set up and maintained for the financial control of the District Secretariat and the necessary changes are made to review the effectiveness of the system from time to time and to make the system effective accordingly as required. Also, although those reviews should have been made in writing and a copy submitted to the Auditor General, evidence that such reviews were made was not submitted to the audit.	Should be acted in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.	Will correct it in the future as per the audit query
(b) The Chief Accounting Officer and Accounting Officer will ensure that all audit queries are answered within the specified periods as required by the Auditor General. Although the audit officer was required to certify, there was a delay in answering the audit queries in accordance with paragraph 3.6 of this report.	Should be acted in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.	-above-

**1.6.4 Non-compliance with Laws, Rules and Regulations**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Reference to Laws, Rules and Regulations	Non-compliance	
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Section 2.1 of Public Administration Circular No. 09/2009 of dated 16th April 2009.	Although all public servants, including heads of institutions, are required to confirm the arrival and departure of their workplace by the fingerprint machine. It was observed that the Vavuniya District Secretary did not record the arrival and departure of the fingerprint machine in the office.	Circular, rules should be followed.
		In other districts Government Agents do not use fingerprint machines.

**2. Financial Review**

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**2.1 Expenditure Management**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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266-1-1-0-2103/11 had been provided for the subject of expenditure and from the net provision of Rs.1,000,000 had been saved.	Estimates should be prepared properly by identified Situations.	Savings have been made as per National Budget Circulars 04/2019 and 05/2019.

## 2.2 Utilization of Provision Given by other Ministries and Departments

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
From the allocations of the National Unity and Reconciliation Bureau, Rs.4,130,000 for the Fruit Processing Centre which was completed on 27 December 2017 in Vavuniya North Divisional Secretariat area and Machinery was purchased at a cost of Rs.8,096,000 on 2018 December 31 and the building and machinery had not been used for fruit processing until 30 June 2020.	Necessary measures should be taken to use the building for the fruit processing industry.	Accepted. The building will be used for another purpose.

## 3. Operational Review

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### 3.1 Planning

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
According to the Public Finance Circular No.2014/01 dated 17 February 2014, a formal action plan for the year 2019 had not been prepared and the following shortcomings were observed which were included in the submitted action plan.	A formal action plan should be prepared in accordance with the circular.	The action plan has been prepared in accordance with the form/Module submitted by the Ministry.
(a) Failure to update the organizational structure of the institution for the year under review.	The organizational structure of the organization should be updated for the year under review.	Will take actions to prepare an action plan as per the future audit query.

(b)	Failure to review approved staff and currently employed staff.	Approved staff and currently employed staff should be reviewed.	-above-
(c)	Failure to formulate a priority action plan based on the annual budget.	An action plan should be prepared on a priority basis based on the annual budget.	-above-
(d)	Failure to achieve the desired outcomes / results of the activities.	Achieve the desired outcome / results of the activity should be indicated.	-above-
(e)	Failure to prepare a cash requirement plan for the annual activities.	A cash flow plan for the annual activities should be prepared	-above-

### 3.2 Projects Executed by Domestic Funds

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Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Part of the construction work of the office building of the Vavuniya North Divisional Secretariat was carried out in the year 2019 in two phases. As at 30 October 2019 when the audit was conducted Rs. 1,946,738 had been completed in the first phase. Work on the second phase of Rs. 5,135,600 was proceeding. The following are the facts observed in this regard.</p>		
<p>(a) There was not a one engineering estimate including the total cost for the entire construction of the building and one plan for the building (Building design including Lay out, Structural drawings, Services, Finishing schedules, etc.).</p>	<p>All preliminary plans required for construction must be duly prepared.</p>	<p>Will recruit the required human resources after recruitment.</p>

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| (b) | Due to the fact that the construction work of this building was not done in one phase but in two phases, the initial cost of the second phase was An additional cost of Rs.150,000 had to be borne.  | Public funds should be utilized with maximum efficiency and effectiveness.  | Procurement was made twice as the grant was received in two stages. |
| (c) | According to the agreement, more than the 5 percent of the insurance cost collected in the first phase of the building Rs.19,986 reserved as Machinery value without paying Rs. 29,020 and it was been observed that overpaid Rs. 9,034.   | The cost of insurance should be reimbursed in accordance with the terms and conditions of the payment method of price and quantity. | Will adjust the retention money.                                    |
| (d) | For the deployment of a Senior Technical Officer appointed on contract basis for the first phase of construction of the building, It was observed that the allowance for 4 months was overpaid by Rs.32,000.   | Overpayments should be recovered.   | Will adjust the retention money.                                    |
| (e) | The iron bar was Rusting and damaged because the outside of the building it was let open iron bar of slab and beam to extend another portion to the building.  | Public finances should be managed with maximum efficiency and effectiveness.  | Modified at the request of the Divisional Secretary.                |
| (f) | According to the plans for the second phase of construction of the building, Rs. 19,840 was paid for the use of 10 mm iron bars for the building beam. During the inspection it was evaluateand discovered that 10 mm iron bars were not used for beam.  | Overpayments should be recovered.   | Will correct in the final payment.                                  |
| (g) | In preparing the engineering estimates for the first and second phase works for the construction work, a definite and uniform basis was not followed to calculate the cost for the work items A1, A2, A3, A4, A5, A6, A7 and A8. Accordingly, the basis for calculating the estimated value of | A uniform basis should be followed with respect to price rates.   | Will work to correct these errors when re-estimating.               |



expenditure on insurance, performance insurance, construction of temporary buildings, expenditure on water and electricity and technical officers etc. was not explained during the audit.

### 3.3 Assets Management

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
On 10 October 2018, Construction of a cultural centre in the Omanthai area was completed at a cost of Rs.12,956,898, and had not yet been opened to the public as of 10 July 2020, when the audit was conducted. While, The cultural centre land was overgrown with weeds. Accordingly, it was observed that the building remained idle for more than one year and nine months.	The building and land should be made suitable for use and open to the public.	Action will be taken to open.

### 3.4 Public Officers Security deposits

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Officers who are required to work in the Vavuniya North Divisional Secretariat on security deposits have not been granted security as per the Financial Regulation 880(1).	Security deposits are required in accordance with Financial Regulation 880 (1).	Will take actions to get Security.

### 3.5 Failure to answer audit queries

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The audit query no. NNP2/VN/A/K/2019/04 dated 06 December 2019 was answered on 13 May2020.	Audit queries should be answered without delay.	Accepted.

### 3.6 Management Weaknesses

The Following observations are made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Vavuniya South Sinhala Divisional Secretariat had distributed 80 perches per person of land in the year 2014 under the Government Land Allocation Program for the Landless in Irrattaperiyakulama village implemented by the Divisional Secretariat. By the time the audit was carried out on 05 August 2019, about five years had onwards since the allocation of the plots, but only 08 out of 57 plots had been developed and houses had been settled. Accordingly, the final performance of the project was at a low level of 14 percent.	Management should be work to achieve the final performance of the project.	Will appear for unoccupied lands and take necessary action in future.
(b) The Irrattaperiyakulama Weragama Government Employees' Housing Project implemented by the Vavuniya South Sinhala Divisional Secretariat in 2011 had provided 40 perches per person of land to 113 public servants. Although 08 years had beyond since the audit was conducted on 05 August 2019, it was observed that out of the 113 plots, only 45 plots of land had been settled. Accordingly, it was observed that the progress of the project was as low as 40 percent.	The progress of the project should be reviewed and action taken to achieve the relevant objectives.	Will appear for unoccupied lands and take necessary action in future.

**4. Human Resource Management**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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No action had been taken to fill 84 vacancies.	Action should be taken to fill vacancies in essential posts.	The District Secretary does not have the power to fill vacancies and the Ministry should take action in this regard.