

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 2019 comprising the statement of financial position as at 31 December 2019 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 30 May 2020. In terms of Sub-section 11(2) of the National Audit Act, the Detailed Management Audit Report was issued on 20 October 2020 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 2019, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Audit 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's internal control.
- 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.
- Evaluate whether the transactions and events for the structure and content of the financial statements are included appropriately and in a manner that achieves fair presentation when preparing the overall financial statements.

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) The financial statements are consistent with the preceding year. The financial statements of the year under review had been submitted with the comparison of amounts of the preceding year.
- (b) Recommendations made by me on the financial statements of the preceding year had been implemented by the District Secretariat.

1.6 Comments on Financial Statements

1.6.1 Significant Accounting Deficiencies

(a) Receipts of Income

The following deficiency was observed when accounting revenue of the District Secretariat.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Rent income totalling Rs. 846,136 recovered from the houses and quarters for Government officers which belonging to the District Secretariat had been omitted in the form ACA-1 of the financial statements for the year under review without being shown.	Action should be taken to show rent income of the District Secretariat in the financial statements.	Actions are being taken to improve internal control system.

(b) Recurrent Expenditure

The following deficiency was observed when accounting recurrent expenditure of the financial statements.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
A total sum of Rs. 162,924,486 had been shown in the treasury books in respect of salary, wages and other employee benefits paid	Action should be taken to identify and rectify the reasons for the difference.	Actions are being taken to improve internal control system.

in the year under review. However, it had been shown as Rs. 162,707,416 in the statement of financial performance, thus a difference of Rs. 217,070 was observed in this regard.

(c) Balances of Advance to Public Officers Account

The following observations are made on above matter.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No meaningful actions had been taken to recover arrears of staff loan balances totalling Rs. 555,632 from the officers who were vacated their post, retired from the service, resigned the posts and deceased for the last 04 to 26 years in terms of section 4 of chapter XXIV of the Establishment Code.	Relevant actions should be taken in due periods to recover these arrears of staff loans or write off them through getting proper approval.	Actions are being taken to improve internal control system.

(d) Failure to Maintain Registers and Books

It was revealed 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. Details are as follows.

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(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).	Action should be taken to maintain a fixed assets register.	Actions are being taken to improve internal control system.

(ii)	Fixed Assets Register on Computers, Accessories and Software	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.	Action should be taken to maintain a fixed asset register on Computers, Accessories and Software.	Actions are being taken to improve internal control system.
(iii)	Register of Official Telephones	A Register of Official Telephones had not been maintained in terms of Financial Regulation 845(1).	Action should be taken to maintain a register of official telephones.	Actions are being taken to improve internal control system.
(iv)	Security Register	A Security Register containing information of officers and employees, for whom it is required to give security had not been maintained in terms of Financial Regulation 891(1).	Action should be taken to maintain a security register.	Actions are being taken to improve internal control system.
(v)	Register on Electricity Equipment	A Register on Electricity Equipment had not been maintained in terms of Financial Regulation 454(2).	Action should be taken to maintain a register on electricity equipment.	Actions are being taken to improve internal control system.
(vi)	Register of Losses	A Register on Losses had not been maintained in terms of Financial Regulation 110.	Action should be taken to maintain a register on Losses.	Actions are being taken to improve internal control system.
(vii)	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	Action should be taken to maintain an attendance register for the meeting	Actions are being taken to improve internal control

terms of Guideline 2.11.2 of the Government Procurement Guidelines. of the Committee. system.

(viii) Register on calling for Bids

A register on calling for bids had not been maintained in terms of Guideline 5.2.1 of the Government Procurement Guidelines. Action should be taken to maintain a register on calling for bids. Actions are being taken to improve internal control system.

(e) Non-compliances with Circulars

Instances of non-compliance with the circulars are given below.

Reference to Circulars	Audit Observations		Recommendations	Comments of the Accounting Officer
	Value	Non-compliances		
	Rs.			--
Public Administration Circular No. 14/99 of 11 June 1999	516,000	Distress loan had been paid by the Divisional Secretariat, Puthukkudiyiruppu to 04 officers in the year under review without obtaining a declaration on honour.	Action should be taken to obtain a declaration on honour from relevant officers.	Actions are being taken to improve internal control system.
No. 29/88 of 30 August 1988	916,483	Two years loans paid to 34 officers without obtaining concurrence from the Secretary to the Ministry of Defense had remained as arrears continuously.	Meaningful actions should be taken to obtain concurrence from the Secretary to the Ministry of Defense.	Actions are being taken to improve internal control system.

2. Financial Review

2.1 Imprest Management

Audit Observations

The treasury had failed to issue imprest as planned within the year. As such, it was observed that the provisions totalling Rs. 14,510,038 could not be used for reconstruction of the building, procurement of furniture, office equipment and machinery equipment and construction of buildings.

Recommendations

Meaningful actions should be taken to obtain imprest for the provisions in due periods and achieve intended objectives.

Comments of the Accounting Officer

Actions are being taken to improve internal control system.

2.2 Expenditure Management

The following observations were made in respect of preparing an annual budget estimate, transferring, receiving and utilization provisions.

Audit Observations

- (a) Out of provisions totalling Rs. 245 million issued for capital expenditure of the District Secretariat and six Divisional Secretariats, 60 per cent or provision totalling Rs. 148.58 million except 25 per cent or a total sum of Rs. 61.25 million out of total net provision for the capital expenditure to be saved as per National Budget Circular No. 5/2019 of 24 September 2019 had not been utilized. Out of that, provisions totalling Rs. 190 million had been issued for the building construction works of the District Secretariat (Stage - II) during the months of January and April of the year

Recommendations

Meaningful actions should be taken to use the provisions effectively.

Comments of the Accounting Officer

Actions are being taken to improve internal control system.

under review. In this regard, these financial provisions had been returned by mentioning that as per National Budget Circular No. 5/2019 of 24 September 2019, due to delay in calling bids by the Ministry of Internal, Home Affairs, Provincial Councils and Local Government and in evaluation of Technical Evaluation Committee, without being taken meaningful actions to use them.

- | | | | |
|-----|---|--|---|
| (b) | A liability of Rs. 72,150 had been incurred for the expenditure item of training and capacity building by the Divisional Secretariat, Maritim Pattu during the year under review. It was observed that even though a provision of Rs. 30,000 had been made therefor in the current year, it had been spent without being settled above mentioned liability. | Relevant actions should be taken to settle the liabilities and commitments in due periods. | Actions are being taken to improve internal control system. |
|-----|---|--|---|

2.3 Utilization of Provisions made by other Ministries and Departments

Provisions totalling Rs. 4,046 million had been issued by 30 other ministries and departments to the District Secretariat for various works and out of that provisions, a sum of Rs. 2,909.50 million had been spent and a sum of Rs. 1,136.5 million representing 28 per cent had been saved during the year under review.

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
It was observed that the works carried out by using provisions issued by the Presidential Secretariat, six Ministries and one Department for various development works during the year under review had been certified as completed without being completed properly and prepared payment vouchers and commitments had been incurred for liabilities totalling Rs. 786.15 million.	Actions should be taken to incur commitments for liabilities to the value to be paid for actual works completed physically by certifying them.	Actions are being taken to improve internal control system.

2.4 Advance Payment and Settlement

Audit observation revealed in respect of advance payment and settlement is as follow.

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
Sub imprests totalling Rs. 1,286,625 paid by the District Secretariat to the Election Office for making payments to the staffs who involved in the Presidential election duty during the year under review had not been settled.	Meaningful actions should be taken to settle sub imprests in due period.	Actions are being taken to improve internal control system.

2.5 Deposit Balances

Audit observation revealed in respect of deposit balances is as follow.

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
Deposits totalling Rs. 18,724,083 in respect of 170 intended purpose deposits, 38 retention money deposits and 06 refundable tender deposits of the District Secretariat and six Divisional Secretariats had been kept in the general deposit account for the period from the last 03 months to 05 years.	Meaningful actions should be taken in respect of lapsed deposits.	Actions are being taken to improve internal control system.

2.6 Operating Bank Accounts

The following matters were observed in respect of operating bank accounts.

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
Meaningful actions had not been taken by two Divisional Secretariats in respect of unrepresented cheques totalling Rs. 21,200 to the bank for payment for over the last six months contrary to the Financial Regulation 396 of the Democratic Socialist Republic of Sri Lanka.	Meaningful actions should be taken in respect of unrepresented cheques to the bank for the payment.	Actions are being taken to improve internal control system.

3. Operating Review

3.1 Performance

3.1.1 Planning

Audit Observation

Action had not been taken by the District Secretariat to prepare an annual action plan in terms of the Public Finance Circular No. 2014/01 of 17 February 2014 for the last 05 years.

Recommendation

Actions should be taken to prepare an annual action plan.

Comment of the Accounting Officer

Actions will be taken to prepare since the year 2020.

3.1.2 Delays in execution of Projects

The following observations are made.

Audit Observation

It was observed that 08 projects to be completed as per decisions taken by discussing in the District Coordinating Committee meetings had not been completed up to now and there were deficiencies in follow up actions.

Recommendation

Meaningful actions should be taken to complete those projects as per decision in due period.

Comment of the Accounting Officer

Not replied.

3.2 Assets Management

The following observations were observed.

Audit Observations

(a) It was observed in audit that there were 66 categories of stocks in the store of world food project for over the last 03 to 08 years without being utilized and any inventory registers.

Recommendations

Relevant actions should be taken to record in the inventory register and use them.

Comments of the Accounting Officer

Action will be taken in the year 2020.

- | | | | |
|-----|--|---|----------------------------------|
| (b) | Seven office pickups and 02 lorries and 06 motorcycles had been kept in the store of the District Secretariat and Store of the World Food Project respectively for the period from 01 to 06 years without being relevant maintenance and repairs. | Relevant actions should be taken to repair and maintain in due periods. | Not replied. |
| (c) | It was observed in audit that a tractor bearing registration No. WPRB 2647 had been kept in the premises of the District Secretariat for five years without being utilized. However, this ownership had not been transferred to the District Secretariat, | Relevant actions should be taken by identifying ownership. | Not replied. |
| (d) | A generator issued by the Ministry of Disaster Management had been kept in the premises of the District Secretariat for over the last 04 years without being utilized. At the same time, a new generator which have more power energy (502KW) more than average monthly electricity consumption had been procured by the District Secretariat at Rs. 9.80 million from the country of Turkey without following international competitive bid procedures. | Meaningful actions should be taken in due period to use by establishing an efficient mechanism. | Actions will be taken in future. |

3.3 Commitments and Liabilities

Audit Observation

19 work schemes in respect of Accelerated Rural Development Programme (Gamperaliya), Rural Infrastructure Development Programme (RIDP), Reconciliation Focused Economic Empowerment Project (REEP), Decentralized Capital Budget (DCB) and Task Force on Resettlement (TFR) carried out by using the provision made to Divisional Secretariat, Oddusuddan in the year under review had not been completed totally. However, it was observed in audit test checks that a sum of Rs. 19,143,771 had been shown as liabilities in the financial statement of the District Secretariat, Mullaitivu for the year 2019 improperly by stating that those works were completed.

Recommendation

Works should be completed and liabilities should be incurred for the bills certified based on them.

Comments of the Accounting Officer

Actions will be taken in future.

3.4 Losses and Damages

Audit Observation

Seven instances were observed in audit that the damages incurred by the various accidents of office vehicles had not been assessed and brought to financial statements.

Recommendation

The value of the losses and damages should be assessed and shown in the financial statements in the instance of every accidents.

Comments of the Accounting Officer

Not replied.

3.5 Unanswered Audit Queries

Audit Observation	Recommendation	Comments of the Accounting Officer
Information and explanations had not been made available to the audit in respect of 12 audit queries issued to the Chief Accounting Officer and Accounting Officer of the District Secretariat for the last 01 month to 03 years.	Replies should be submitted for the audit queries in due periods.	Not replied.

4. Achievement of Sustainable Development Goals

5. Good Governance

5.1 Fulfill the services for General Public

Audit Observation

Investigation reports in respect of 33 complaints of house plan submitted by the general public/ service recipients within the area of 04 Divisional Secretaries in the year 2019 had been handed over to the District Secretary, Mullaitivu. However, it was observed in audit that there was negligence/ indifference on actions taken as per the inquiry reports of these complaints and complainer had not been informed actions thereon. However, it was observed in audit that the general public like service recipients had not been informed in respect of actions on written complaints which were made by them to the District Secretary, Mullaitivu as per Paragraph 03 of Public Administration Circular No. 11/2015 of 20 May 2015.

Recommendation

Relevant actions should be taken in respect of complaints received from general public and action should be taken to inform them in this regard in relevant language in due periods.

Comment of the Accounting Officer

Actions will be taken in the future.

6. Human Resources Management

6.1 Approved Cadre, Actual Cadre and Expenditure on Personnel Emoluments

Audit Observations

(a) 34 staffs had not been recruited for four categories of posts belonging to the District Secretariat, Mullaitivu and six Divisional Secretariats as per approved by the

Recommendations

Actions should be taken to fill staff vacancies in due periods.

Comments of the Accounting Officer

Not replied.

Department of Management Services, thus, duties of such posts could not be completed, delays incurred in completing duties and weakness conditions were observed in audit. However, above staff vacancies had remained for the last 10 years.

- | | | | |
|-----|--|---|--------------|
| (b) | When transferring development officer and management service officers, those staffs had been transferred by the District Secretariat, Mullaitivu to the District Secretariat, Divisional Secretariat, Maritimpattu and Divisional Secretariat, Puthukkudiyiruppu situated in urban areas without considering nature of service and percentage of vacancies, thus vacancies for above posts in these Secretariats had remained from 01 per cent to 48 per cent and staff for similar posts had not been transferred to Divisional Secretariats, Welioya, Thunukkai, Manthai East and Oddududdan situated far away from urban area, thus vacancies for above posts in these Secretariats had remained from 56 per cent to 65 per cent. | Meaningful actions should be taken to transfer the staffs among Divisional Secretariats in due periods. | Not replied. |
| (c) | It was observed in audit that all duties of District Director of Samurdhi to be carried out by an officer who are in Sri Lanka Administration Service grade had been covered by an officer who was in Sri Lanka Planning Service on acting basis for the last 04 years. However, 08 staff vacancies had remained in post of Sri Lanka Planning Service grade approved for this District Secretariat and Divisional Secretariats. | Action should be taken to attach the officers belonging to approved posts to relevant posts and provide services. | Not replied. |