

## **Head – 265 - District Secretariat, Mannar**

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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, Mannar 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, Mannar 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 24 June 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 give a true and fair view of the financial position of the District Secretariat, Mannar 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, Mannar 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, Mannar 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 Mannar 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 for the year under review were compared with the values of the amounts for the previous year and submitted.
- (b) District Secretariat were implemented the recommendations made by me regarding the financial statements of the previous year.

## 1.6 Comments on Financial Statements

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### 1.6.1 Accounting Deficiencies

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#### (a) Reconciliation Statement of Advances to Public Officers Account

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The following matters were observed during the audit of advance account balances belonging to the Mannar District Secretariat.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
At the end of the year, for various reasons, no constructive action has been taken regarding the loan amount of Rs. 459,531 to be paid by the five officers.	Appropriate action should be taken to recover the debts of the officers as per the Establishments Code	A continues of actions are being taken to recover.

#### (b) Deposits Accounts Balances

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The following deficiencies were observed in accounting the deposits payments and balances for financial statements.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No continues action had been taken accordance with finance regulation No. 571 for 98 deposits amount of Rs. 4,908,054 more than two years.	A progression of action should be taken in accordance with the financial regulations in respect of deposits.	Action has been taken regarding deposits laps of more than two years.

(c) **Limitation Exceed**  
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The following matters were observed during the audit of the Limits of the District Secretariat.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Although the minimum receipt limit for the operation of advance account number 265 by the Mannar District Secretariat was approved by the Parliament Rs. 11,000,000 while the minimum receipt limit of Rs. 67,883 was not reached as the amount of receipts received during the year was Rs. 10,932,117.	Appropriate permission should be obtained to ensure that the assessment limits are not exceeded.	Actions are being taken to obtain proper approval.

(d) **Non-maintenance of Registers and books**  
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Examinations revealed that the following record had not been maintained properly and up to date by the Mannar District Secretariat. Details as follow.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
During the Selection Audit Examination of the District Secretariat for the year under review, the audit query records was not properly maintained in accordance with during the audit of the District Secretariat for the year of review, the query record was not properly maintained in accordance with financial regulation no. 452 of the Socialist Democratic Republic of Sri Lanka.	Action should be taken to maintain properly in accordance with financial regulation 452 (1).	Properly registered and up to date action is being taken.

## 2 Financial Management

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### 2.1 Expenditure Management

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The district Secretariat's 7 total capital fund provision was Rs. 67,800,000 and it was found the value of Rs. 44,528,474 as savings. 65 per cent of the total provisions were found. Details as follows	Action will be taken on effective control devices.	Action will be taken to reduce savings when preparing the budget in the future.

Expenditure Code	Net Provision	Utilized	Savings	Net Provisi Percentag
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	Rs.	Rs.	Rs.	%
265-1-1-0-2001	800,000	6,160,197	1,839,803	23%
265-1-1-0-2002	650,000	305,054	344,946	54%
265-1-1-0-2003	2,700,000	930,050	1,769,950	66%
265-1-1-0-2102	5,350,000	3,128,957	2,221,043	42%
265-1-1-0-2103	1,500,000	828,830	671,170	45%
265-1-1-0-2104	55,500,000	18,195,408	37,304,592	67%
265-1-1-0-2401	1,300,000	923,035	376,965	29%
<b>Total</b>	<b>67,800,000</b>	<b>30,471,531</b>	<b>44,528,474</b>	
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(b) It shows the budget was not efficiency prepared that the budget reservation for expenditure subject amount Rs.13,500,000 it was spent 4 percent through 23 supplementary on other expenditure subjects without spending, Rs. 3,105,000 to relevant expenditure subject. Details as follow.	Action will be taken on effective control devices.	Appropriate officers have been instructed to make proper accounts and prepare for future budget preparation.
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Expenditure Code	Reserve	Supplementar y	Per cent
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	Rs.	Rs.	%
265-1-1-0-1202	6,250,000	1,359,000	22%
265-1-1-0-1203	1,375,000	412,500	30%

265-1-1-0-1401	1,725,000	680,000	39%
265-1-1-0-1402	3,300,000	377,000	11%
265-1-1-0-1506	850,000	276,500	33%
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	13,500,000	3,105,000	23%
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- (c) Since it was not enough for respective expenses subject of reserved budget Rs. 38,050,000 for 4 expenditure subject more than the 8 percentage of 5 expenditure subjects were received Rs. 3,095,300 through the supplementary. Details as follow.

Action will be taken on effective control devices.

Appropriate officers have been instructed to make proper accounts and prepare for future budget preparation.

Expenditure Code	Reserve	Supplementary	Percentage
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-	Rs.	Rs.	%
265-1-1-0-1003	33,100,000	2,000,000	6%
265-1-1-0-1101	3,200,000	389,500	12%
265-1-1-0-1302	1,700,000	180,800	11%
265-1-1-0-1404	50,000	525,000	11%
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	38,050,000	3,095,300	8%
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## 2.2 Operating the Bank Accounts

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Following is the deficiency found during the selection tests related to the activation of bank accounts belonging to the Mannar District Secretariat.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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No action has been taken adjust the ascertain its correctness regarding the 49 cheques drawn up by the Manthai West Divisional Secretariat since 2015 to up to date show Rs. 1,371,155 as unidentified payments.	Inquiries should be made into unidentified payments	Inquiry is going on. The answer will be given in time

## 3. Operating Review

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### 3.1 Performance

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#### 3.1.1 Failure to Expected outcomes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) As per the procurement decision by the District Secretariat on 12.12.2018 regarding the machines for gingelly oil production. Although two checks drawn up for purchase to CML Engineering Export GMPT for Rs.4,978,350 were issued to the concerned company after audit query No. NNP/MN/A/DS/2019/06 dated 20.08.2019. No constructive actions have been taken to put the machine into good use until the end of the year.	Action should be taken to use the machine	Actions are being taken to use these machines.

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|-----|---|--|--|
| (b) | In 2019, with the financial assistance of the Ministry of Resettlement, Reconstruction, Northern Development and Hindu Cultural Affairs, machines were purchased by the District Secretariat for the production of fruit juice in the Madhu area at a cost of Rs. 15,946,525 and provided to the Madhu Co-operative Society, but these machines were not used for this purpose till 31.12.2019.                             | Action should be taken to use the machine            | Actions are being taken to use these machines.   |
| (c) | Over payment of Rs. 96,955 has been made in advance for the contract of Rs. 484,772.50 for the renovation work of St. Thomas Sports Ground under Manthai West Divisional Secretariat's in 2019 under Hamberalia Project without any work being done on 02.05.2019. In addition, sports equipment has been purchased and provided for a sum of Rs. 388,040 without any reconstruction due to a defect in the site selection. | Contract work should be completed in the due period. | Action has been taken to recover.  |
| (d) | An additional payment of Rs. 58,500 has been made by the Mannar Divisional Secretariat under the Hambaraliya Rural Development Project, although there is no need to carry out work to clear the contract work site.  | Action should be taken to collect the overpayment.   | Overpayment has been made for 10 out of 17 programs. Others will be adjusted when the retention money is released. |

### 3.1.2 Projects Abandoned without Completing

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Although Rs. 495,000 was paid for the construction of the public hall in 2017 under the Rural Infrastructure Development Program by the Manthai West Divisional Secretariat, it is an unnecessary expense as the building could not be used as the work was not completed.	Actions should be taken to complete the work in the due period and use it.	Accepted. It is proposed in the program to be implemented in 2020. The work will be completed once the financial allocation is received.

### 3.1.3 Delays in Execution of Projects

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The contract work carried out by the Manthai West Divisional Secretariat under the Infrastructure Program for the Long term displaced Sinhala Muslims in 2018 at an estimated cost of Rs. 2,000,000 has not been utilized even though it was completed on 20.12.2018. Therefore, No constructive actions have been taken to change the ownership of the land for the pre-school building.	Appropriate action should be taken to use the building.	The pre-school is currently operational and actions have been taken to hand over the land to the Zonal Director of Education.
(b) The work to be carried out by the contractor in connection with the construction of Koralimottai Road (Athikkuzhi Nanattan) under the Rural Infrastructure Development Project by the Mannar District Secretariat at an estimated cost of Rs. 10 million and has to be completed on 23.11.2019 but has not been completed till 09.01.2020.	Appropriate action should be taken in accordance with the contract to complete the work in the due period.	The concerned authorities have been instructed for follow-up action.

### 3.2 Procurements

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>Although the contractor submitted a low-value bid in the procurement committee decision on Construction of 252 Toilets for the pilgrims at Madhu church premises Toilet set-3 by the Mannar District Secretariat with the 2019 financial allocation of the Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Development and Youth Affairs, The contractor who had already been selected for the job of Construction of 252 Toilets for the pilgrims at Madhu church premises Toilet set Set - 2 was re-selected and it was observed that I was mentioned as having insufficient experience due to the resolution. However, it is contradictory that two contract works worth Rs. 22,382,300 were awarded to the same contractor, even though it was mentioned in paragraph 09 of the Invitation for Bids section “One contractor strictly liable to be awarded only one set”. For details as follows.</p>	<p>According to the procurement guide line and invitation for bid should be acted.</p>	<p>The contract was awarded on the recommendation of the Technical Evaluation Committee.</p>

<b>Type of work</b>	<b>Amount</b>
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	<b>Rs.</b>
Toilet set No - 02	11,287,900
Toilet set No - 03	11,094,400
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<b>Total</b>	<b>22,382,300</b>
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### 3.3 Assets Management

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Audit Observation	Recommendation	Comments of the Accounting Officer
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The 208 houses belong to the three District Secretariat was built by the Government expenses valued of Rs. 151,600,000 from 2015 to 2019 were not in use, without maintained by the owner and selection of unsuitable places it was left damaged for more than the 5 years.	Preliminary inspections should be carried out in connection with the provision of housing schemes and appropriate inquiries should be made into their use and actions should be taken for their utilization.	Accepted. for various personal reasons not lived in that places

### 4. Human Resources Management

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Audit Observation	Recommendation	Comments of the Accounting Officer
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It was not filled the vacancies of Mannar District Secretariat human resource the work was not carried out by those who could be carried out the work. Details as follow	Action should be taken to full fill the vacancies within the due period.	The request has been submitted to the relevant departments

Category of Employees	Approved Cadre	Actual Cadre	Vacancies
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Senior Level	34	21	13
Tertiary Level	19	5	14
Secondary Level	543	389	159
Primary Level	68	44	23
<b>Total</b>	<b>664</b>	<b>459</b>	<b>209</b>
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