

Head 268 – District Secretariat of Kilinochchi

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat of Kilinochchi for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 summery report including my comments and observations on these financial statements presented to the District Secretariat in terms of Section 11(1) of the National Audit Act, No.19 of 2018 was issued to the Accounting Officer on 21 June 2022. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 15 August 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the District Secretariat of Kilinochchi as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements

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

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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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 the overall presentation, structure and content of the financial statements including 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

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

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) There were differences of Rs.7,150,000 between the imprest receipts and settlement balances in the statement of imprest accounts accompanying the financial statements and those balances according to the treasury books.	As the Treasury debited Rs.7,150,000 and credited it at the same time, the District Secretariat was not included in the statement.	The balances in departmental books should be compared with the treasury computer printed balances and entered in the accounts.
(b) There was a difference of Rs.1,181,666 when comparing the non-revenue deposit receipts and payments values stated in the financial performance statement with the receipts and payments values according to the treasury computer printouts.	The Provincial Council revenue receipts and payments made by the Divisional Secretariats were not included in the treasury statement. Actions will be taken to do correctly in the future.	- Do -

1.6.2 Lack of Evidence for Audit

Audit Observation

Comments of the Accounting Officer

Recommendation

For non-submission of 74 payment receipts amounting to Rs.23,560,715, beneficiary lists, purchase orders, supplier details, work completion reports, finger print notes, attendance records, vehicle inspection reports etc. relating to the District Secretariat and Divisional Secretariats, the accuracy of those transactions could not be confirmed in the audit.

The relevant documents and reports were not attached due to lack of stationery. Nowadays they are attached and reference numbers are also mentioned in the files.

At the time of payment, relevant proofs should be submitted.

2. Financial Review

2.1 Management of Expenditure

Following observations are made.

Audit Observation

Comments of the Accounting Officer

Recommendation

(a) There were savings in the range of 14 percent to 61 percent of the net allocation of 04 capital expenditure objects. The savings of 10 recurrent expenditure objects ranged between 09 percent and 49 percent of the net allocation. Also, the provision of Rs.750,000 in 02 expenditure objects was completely saved.

Computer software development activities could not be implemented due to the epidemic situation.

Estimates should be properly planned.

(b) Forty-two percent or Rs. 3,412,787 of the total net allocation of 05 capital expenditure objects was saved.	Savings were arose due to the reduction in construction, worker attendance and vehicle running due to the pandemic situation,	Essencial need should be given priority in carrying out capital development programmes.
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2.2 Issuance and Settlement of Advances

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Rs. 1,147,050 due from the retired and suspended officers has not been recovered for more than 11 years.	Actions are being taken to recover outstanding loan balances.	Steps should be taken to recover outstanding balances immediately.

2.3 Incurring of Liabilities and Commitments

Following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Liabilities of Rs.715,000 in one expenditure object were not disclosed in the Statement of Commitments and Liabilities accompanying the financial statements.	These amounts are bills in hand with the Divisional Secretariats. Due to non-availability of provisions, it was not disclosed as liabilities.	Commitments and liabilities should be properly disclosed.

(b) payments could not be made due to non-availability of funds for the works of Rs.3,156,060 performed during the year under review, but they were not shown as liabilities in the financial statements.

A sum of Rs.1,613,000 has been shown as obligations and liabilities for the capital programs of other departments. The remaining Rs.1,543,060 are recurrent expenses.

Obligations and liabilities should be properly disclosed.

2.4 Utilization of Provisions made available by other Ministries and Departments

Audit Observation

Comments of the Accounting Officer

Recommendation

Out of the allocation of Rs.1,182 million received from 48 other ministries and departments during the year under review, the allocation of Rs.41 million or 3.5 percent saved.

A large proportion of the allocation was for training courses and workshops. Those tasks could not be performed due to the epidemic situation.

Financial allocations should be utilized effectively.

2.5 Certification of Accounting Officer

Audit Observation

Comments of the Accounting Officer

Recommendation

In terms of Section 38 of the National Audit Act No.19 of 2019, the Chief Accounting Officer and the Accounting Officer should 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. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.

I inform you that it will be done in the future.

Action should be taken in accordance with Section 38 of the National Audit Act No. 19 of 2018.

2.6 Non-compliance with Laws, Rules and Regulations

Audit Observation

Contrary to Section 19(2) of Chapter 464 of the Land Development Act, 702 land permits issued during the year 2014 were kept at the Karachi Divisional Secretariat without being handed over to the respective beneficiaries till March 2022.

Comments of the Accounting Officer

They are informed through the Grama Niladari and the permits are being issued.

Recommendation

It should be done according to the Act.

2.7 Irregular Transactions

Audit Observation

contrary to the Financial Regulations 137, 04 payments of Rs.247,178 had been made by the District Secretariat without proper approval.

Comments of the Accounting Officer

Approval was not obtained by mistake. Now it was corrected.

Recommendation

Action should be taken according to the Financial Regulations.

2.8 Issuance and Settlement of Imprests

Following observations are made.

Audit Observation

(a) According to the Financial Regulations 371(5) as amended by the Public Finance Circular No. 01/2020 dated 28 August 2020, although the sub imprests received should be settled within 10 days of completion of the relevant work, in 20 cases, the sub imprest amount of Rs.226,250 was settled after a delay ranging from 18 days to 85 days.

Comments of the Accounting Officer

Officers have been instructed to ensure that such errors do not occur in the future.

Recommendation

Action should be taken according to the Financial Regulations.

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| (b) A sum of Rs.700,000 given between the year 2012 and 2014 for the purchase of paddy has not been recovered till now. | Legal action has been taken. | Those money should be recovered immediately. |
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2.9 Deposit Balances

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Action had not been taken as per Financial Regulation 571 regarding 08 deposits amount of Rs.1,006,716 credited to the deposit account of the district secretariat between the years 2018 and 2020.	Arrangements have been made to return the deposit.	Action should be taken according to the Financial Regulations.
(b) Rs.1,733,451 given by other ministries and departments has remained in the deposit account without being utilized for the related purposes for more than a year.	Arrangements have been made to return the deposit.	Deposits should be utilized effectively.

2.10 Operation of Bank Accounts

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Eleven cheques issued for the payment of Rs.7,262,923 accounted as expenditure in the year 2021, were kept in the District Secretariat and Divisional Secretariat offices without being handed over to the respective contributors till June 2022, contrary to Financial Regulation 211.	Arrangements are being made for delivery of the cheques.	Action should be taken according to the Financial Regulations.

(b) Fifty nine checks worth Rs.5,432,967, which were to be handed over to the contributor by the Paying Officer, had been handed over to the concerned officer in contrary to the Financial Regulations 260 and 389.	Cheques have been handed over to the proper persons and transfers made to the revenue.	Action should be taken according to the Financial Regulations.
(c) None of the goods ordered by the District Secretariat in the year 2021 had been received till March 2022. However, a sum of Rs.2,344,614 had been paid in the year 2021, for the goods before receiving them contrary to the Financial Regulations 137.	Poonakari and Kandavalai Divisional Secretariats have arranged to issue 17 cheques and the remaining cheques have been handed over to the designated persons.	Money should not be paid before receiving goods as per Financial Regulations.
(d) Seventy four cheques totaling Rs.18,632,707, which were accounted as expenses in the year under review, were retained by the District Secretariat and 02 Divisional Secretariats and contrary to the Financial Regulations 141 and 386, the cheques were not even signed by the drawer.	06 cheques were not signed due to busy schedule. At present appropriate arrangements have been made. For the remaining cheques, no answers were provided in relation to audit observations.	Action should be taken according to the Financial Regulations.

3. Operating Review

3.1 Assets Management

Following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Buildings and equipment amounting to Rs. 13,475,211 provided under the production cooperative project have been idle for more than 03 years.	Although it was answered that all the equipment provided are in good use except in one cooperative society, it was confirmed during the physical inspection that all those equipment are unused.	Assets should not be left unused.

(b) 02 Divisional Secretariat bungalows worth Rs. 21,552,983 were lying idle for more than a year.	Improvements in 02 bungalows are not possible due to current price hikes. But action will be taken to use immediately.	Measures should be taken to ensure that assets are not left idle.
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3.2 Losses and Damage

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Fines of Rs.164,166 were not collected as per the agreement due to the delay in the completion of 03 projects implemented in 02 Divisional Secretariats.	Penalty charges were not levied due to pandemic situation, delay in getting electricity connection etc.	Late charges should be charged.
(b) A sum of Rs.912,822 had been paid for the purchase of granite and soil required for the repair of Pattawalai road in Palai area, for transportation and for depositing on both sides of the road. Later, due to the abandonment of those constructions, the money spent was useless as the work was not completed.	The project was to be completed within that year. The construction was delayed due to the epidemic situation, increase in the price of raw materials and rainy conditions. Since the period cannot be extended to the next year, payments were made for the work done.	Public funds should be used effectively.

4. Human Resource Management

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) There were 25 vacancies and 08 excesses out of 537 approved staff posts in the District Secretariat.	These vacancies are expected to be filled in the near future.	Steps should be taken to fill up the vacancies as per requirements and to deploy the excess officers effectively.

(b) Contrary to the Combined Service Circular No. 01/2021 dated 06 August 2021 and the Public Administration Circular No. 18/2021 dated 13 September 2021, 181 officers working in the District Secretariat and Divisional Secretariats were not transferred for more than 05 years.

Arrangements will be made to provide transfers for officers with more than 05 years of service.

Circular instructions should be followed.