

Head 269 - District Secretariat, Batticaloa

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat of Batticaloa for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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. Summary report including my comments and observations on these financial statements was issued on 26 May 2023 to the Accounting Officer in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 25 May 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018 will be tabled in Parliament in due course.

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 Batticaloa as at 31 December 2022, 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 of Batticaloa 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 of Batticaloa 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 that the financial statements are consistent with the preceding year in accordance with Section 6 (I) (d) of the National Act No. 19 of 2018.

- (a) The financial Statement 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

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| <p style="text-align: center;">Statement of Financial Performance</p> | | |
| <p>According to the report submitted to the Comptroller General, the identified land area belonging to the District Secretariat and 14 Divisional Secretariats was estimated as 24 hectares and they were valued at Rs.559 million and shown in the statement of non-financial assets. However, the value of lands stated in statement of financial position (ACA-P) were aggregated to Rs.487 million. Thus, a difference of Rs.72 million was observed between the above two statements. Nevertheless, no action had been taken to rectify the differences and to obtain land ownership from said Divisional Secretariats.</p> | <p>The necessary actions have been taken by Divisional Secretariats and District Secretariat to get the approval for ownership.</p> | <p>Action should be taken to get the ownership of lands.</p> |

2. Financial Review

2.1 Deposits

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| <p>An amount of Rs.9.9 million received for land acquisition functions of four Divisional Secretariats had not been utilized for the intended purposes and kept in the deposit account for a period ranging from 2 to 5 years.</p> | <p>There are long administrative processes in land acquisition. The land acquisition process are on-going in the relevant 04 Divisional Secretariat.</p> | <p>Action should be taken to settle the deposits in terms of Financial Regulations No. 571.</p> |

2.2 Certification of the Accounting Officer

Audit Observation

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 reviewing the system the statements had not been furnished Audit.

Comments of the Accounting Officer

The action has been taken to rectify this matter.

Recommendation

Action should be taken to comply with the provision in Section 38 of the National Audit Act, No.19 of 2018.

3 Operating Review

3.1 Non-achievement of the Expected Outcome

Audit Observation

- (a) Two persons had been selected for the cattle farming from Kiran West area. However, it was revealed that wealthy persons those who have more than 25 cows and more than 50 acres paddy lands had been selected violating the selection criteria of the Project.
- (b) A sum of Rs.4,387,500 had been paid for purchasing 90 water pumps to provide 90 agricultural beneficiaries. However, most of the distributed water pumps had

Comments of the Accounting Officer

Action will be taken on the matters pointed out.

Action will be taken on the matters pointed out.

Recommendation

Action should be taken to select beneficiaries in accordance with established criteria.

Action should be taken to utilize water pumps for the intended purposes and security measures of the utilized water pumps also to be considered.

been kept in idle at farmers' homes without being used them for cultivation activities. Further, safety of the utilised water pumps too were not in satisfactory level because cultivated lands which motor pumps were installed were situated in the forest area which were far away from the residencies of the beneficiaries.

3.2 Delays in the Implementation of the Project

Audit Observation

Comments of the Accounting Officer

Recommendation

(a) The Government of Sri Lanka, together with the United Nations World Food Programme (WFP) and Korea International Cooperation Agency (KOICA) had launched a three-years Project to develop resilience of communities against the impact of natural disasters. The goal of the Project was to designed strengthen programs for vulnerable rural communities. However, it was observed that selected beneficiaries were not vulnerable when compared with unselected people from the Division. Most of the selected persons conducting cattle farming, goat rearing, agro well construction and micro irrigation systems etc. Some beneficiaries have more than two acres of paddy lands with cattle. For example, it was revealed that two beneficiaries have 107 cattle and one of them has more than 8 acres of paddy land in the Mandapathadi Agrarian Service Center area.

Action will be taken on the matters pointed out.

Action should be taken to select the vulnerable beneficiaries according to the selection criteria of the Project.

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| <p>(b) A sum of Rs.215,000 had been provided for a family as financial support to construct elevated goat sheds to the existing goat farmers those who had less than 10 goats for semi-intensive goat management. However, it was observed that financial support had been provided to the beneficiaries those who had more than 10 goats, without considering their vulnerability. According to the defined selection criteria for goat rearing, priority should be given to youth/women. However, it was revealed that 61 selected beneficiaries were over 50 years of age and two of them were over 77 of age.</p> | <p>Action will be taken on the matters pointed out.</p> | <p>Action should be taken to select the beneficiaries according to the selection criteria of the Project.</p> |
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3.3 Losses and Damages

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| <p>Even though a Board had been appointed to conduct an inquire on motor vehicle accident took place in January 2021 to a motor vehicle attached to the Kathankudy Divisional Secretariat, an inquiry report had not been furnished up to end of May 2023 even after lapse of two and half years. As well, the Batticaloa District Secretariat had failed to appoint the Inquiry Boards to inquire the accidents took place in the year 2014 for two motor vehicles attached to the Manmuani South and Eruvil Pattu Divisional Secretariats, even up to end of the year 2022. As a result, it was unable identify the responsible officers for those accidents and recover the losses thereon.</p> | <p>Action will be taken on the matters pointed out.</p> | <p>Action should be taken to expedite the inquiry and recover the loses.</p> |

3.4 Management Weaknesses

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| (a) After over of the Receipt Book (Gen-172) which had been issued to the Thettatheevu- North Grama Niladhari division come under the supervision of the Manmunai South Eruvil Pattu Divisional Secretariat,a new Receipt Book had not been obtained since 26 August 2022, in order to issue the receipts to money collections from public. | Action will be taken on the matters pointed out. | Action should be taken to expedite the process of issuing NIC applications. |
| (b) Without applying rational and fair policy such as considering of number of families in the Gramaniladari Division for appointing of Gramer Niladaries (GN), the GNs had been appointed by the Divisional Secretary of Manmunai South Eruvil Pattu Divisional Secretariat . | Action will be taken on the matters pointed out. | Action should be taken to allocate duties according to an accepted policy. |

3.5 Operating Inefficiencies

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| (a) A river sand mining license had been issued to a person at Kiran West Grama Niladhari Division of the Koralai Pattu South Divisional Secretariat, without obtaining the recommendation of the Divisional Secretary and without considering availability of a river for river sand mining in the area. Further, the above license is valid for the removal of only river sand within the allowed land limits according to the provisions in the Mineral and | Action will be taken on the matters pointed out. | Action should be taken to establish and strengthen the internal control system over recommendations for sand mining licenses. |

Sand Act. However, inland sand had been excavated using that License. As well, total of 1400 sand cubes had been sold within two months without having any approved Projects.

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| (b) | Illegal sand mining activities had been conducted near the Valli Aru and Mathuru Oya and Valli Aru river banks in Koralai Pattu South Divisional Secretariat, and in the Mullivattavaan Thuraiyadi and Vayal Thuraiyadi of the Koralai Pattu South Divisional Secretariats in river bank of Valli Aru. As a result of those illegal sand mining many environmental damages were caused such as widening of river and change the natural water flow of the rivers etc. However, the responsible Divisional Secretariats had not been taken any effective actions to control those illegal activities. | Action will be taken on the matters pointed out. | Prompt actions should be taken to strengthen controlling mechanism over those illegal functions. |
| (c) | In terms of Section 33 of the Agrarian Development Act No. 46 of 2000, the approval should be obtained to remove the upper soil from the Deputy Commissioner of Department of Agrarian Development. However, recommendation had been given by the Divisional Secretary, Porativu Pattu and forwarded to GSMB to issue Inland sand mining licences allowing the paddy land owners to mine the sand from their paddy lands for their own usage without selling to third party. Nevertheless, sand had been excessively extracted in an illegal manner for the business purpose. | Action will be taken on the matters pointed out. | Action should be taken to safeguard the paddy lands and soil. |

3.6 Contract Administration

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| (a) Without considering financial and operational capacity of the Lessee, newly renovated Aithiyamalai Rice Mill managed by the Divisional Secretariat Manmunai West, Vavunathivu, including buildings and mechinaries valued at Rs. 62.3 million had been given for 3 years lease period to“Aaithya Rural Agri Producer Co-operative Society Ltd.” which registered about 3 years ago with capital of Rs.1,500. The above rice- mill had been leased to the lessee for smooth functioning and proper maintenance of rice-mill to achieve the objective of the project. However, only 50 bags of paddy have been converted to rice up to end of the year under review. | Action will be taken on the matters pointed out. | Action should be taken to obtain security deposits and recover the lease on market values. |

4 Human Resource Management

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| (a) It had been observed that 98 officers were continuously transferred to service station nearest to their respective residences. | Action will be taken on the matters pointed out. | Action should be taken to transfer officers in a proper procedure. |
| (b) Although the policy of transfers once in 5 years was generally followed, more than 188 officers (including 54 officers attached under the Line Ministries) had been allowed to serve in the service station nearest to the respective residence of the | Action will be taken on the matters pointed out. | Action should be taken to implement a proper transfer policy. |

officers for the period of more than 5 years without proper reason. Further, more than 5 officers have been serving continuously in the same service station for more than 22 years and more than 98 officers (including 43 officers attached under the Line Ministries) have been serving in the same service station for more than 9 years.

- (c) An appropriate system should be developed and implemented to ensure that the officers who make administrative decisions exercise their discretionary powers without any bias. However, it was observed that 20 officers belonging to six Divisional Secretariats were transferred without following proper transfer policy or procedure and they were again transferred to their nearest Divisional Secretariats before completion of 5 years.

Action will be taken on the matters pointed out.

Action should be taken to implement a proper transfer policy.