

Head 264 - District Secretariat of Jaffna

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Head 264 - District Secretariat of Jaffna for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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 of Jaffna was issued to the Accounting Officer on 28 May 2024 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 19 July 2024 in terms of Section 11(2) of the Audit Act. This report will be submitted to the 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 Jaffna as at 31 December 2023, 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 is 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 scepticism 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 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

Property, Plant and Equipment

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) Although the balance of non-financial assets in the statement of financial position as on 31 December 2022 was Rs.429,965,870, as per the Treasury printed notes on 01 January 2023, the value was Rs.429,777,176, there was a discrepancy of Rs.188,694.	At present monthly summaries are prepared and steps have been taken to adjust the difference.	The correct value of fixed assets should be disclosed in the financial statements for the period.
(b) The sum of 50 assets belonging to the District Secretariat and Divisional Secretariats amounting to Rs.2,328,829 was not shown as non-financial assets in the financial statements of the year under review and the value of the assets was understated by that amount.	That it has been corrected now and steps have been taken to document it in the Cigas software package in the future.	- do -
(c) The value of non-financial assets was understated in the statement of financial position of the year under review due to the not assessing and accounting the value of 30 fixed assets belonging to the District Secretariat.	That it is being assessed and accounted.	The value of fixed assets should be assessed and included in the financial statements.

2. Financial Review

2.1 Utilization of Provisions made available by other Ministries and Departments

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) From the various types of loans provided by Samurdhi Bank in 13 Divisional Secretariats, as on 31st December 2023, 03 to 09 loan installments have not been collected from 1413 beneficiaries and it was observed that the outstanding loan balance is Rs.62,424,236.	The outstanding balance of Rs.62,424,236 was only 1.87 percent compared to the total outstanding balance. According to the departmental instructions, this percentage should be less than 5 percent. However, that the steps have	Steps should be taken to recover the arrears in due time.

been taken to recover the relevant overdue balances.

- (b) Although Samurdhi Bank was supposed to deposit the benefit money into Samurdhi beneficiaries' accounts promptly within 03 days of receiving the benefit money to the Samurdhi Bank, 05 Samurdhi banks had deposited money in the beneficiaries' accounts after a delay of Rs.773,809,070 from 01 day to 75 days.
- As the list of those who have to make payments related to social welfare payments needs to be changed and after providing the updated list by the social service branch according to the data of the Grama Niladarees, that the payments to the beneficiaries have been settled now.
- Steps should be taken to deposit the money in the beneficiary's account in due time as per the circular.

2.2 Non-compliance

Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliances	Comments of the Accounting Officer	Recommendations
(a) Letter No. HAF/1/1/Duty/Vol-II dated 07 November 2019 of the Ministry of Home Affairs, Provincial Councils and Local Government	22 officers working in 04 Divisional Secretariats had not submitted the monthly forward programs, its changes and daily note sheets..	That the relevant officers had been instructed to prevent such defects from happening in the future.	Action should be done according to the relevant instructions.
(b) Letter No. DRP/OP/01/DS/03 (iv) dated 11 April 2023 of the Department of Registration of Persons	It was observed that the Gramsevaka officers of Thenmarachchi Divisional Secretariat kept the fees charged from the applicants for the preparation of ID cards for a period of 11 days to 365 days without handing them over to the Divisional Secretariats.	Such issues have been resolved at present.	Collected money should be deposited immediately.
(c) Section 214 of XV Paragraph of Part 1 of the Procedure of Public Service Commission	04 Divisional Secretariats had taken action after a delay of 38 days to 677 days after the date of leaving the service without dealing with 08 officers who left the service in time.	That a program has been established to carry out those activities in the future period.	The procedures of the Public Service Commission should be followed.

2.3 Irregular Transactions

Audit Observation

Under the provision of Resettlement Housing Facilities and Urban Development Ministry, although the house construction works of 1,458 project beneficiaries of Rs.1 million and 234 project beneficiaries of Rs.0.6 million from the Rs.1 million and Rs.0.6 million housing projects implemented in the years 2016 and 2021 were not completed by the end of the year under review. But it was observed that all the payments amounting to Rs.65,958,938 were credited to their bank accounts and the money was suspended by standing orders so that the money could not be recovered.

Comment of the Accounting Officer

Those steps have been taken to fully release payments.

Recommendation

In making payments for construction, financial regulations 137, 138 and 237(b)(1) should be followed and action should be taken against officials who have not acted accordingly.

2.4 Deposits

Audit Observations

- (a) The amount received by the District Secretariat to be spent on projects under the allocation of other ministries and departments was kept in the deposit account for a period of 06 years without taking appropriate action regarding Rs.20,996,124.
- (b) Security deposits and third party payable amount of Rs.1,988,459 in the District Secretariat and a Divisional Secretariat have been holding deposits in the deposit account for more than 02 years without taking any action as per Financial Regulation 571.

Comments of the Accounting Officer

The sewage recycling project has been completed. That a committee has been established regarding the payment settlement and action has been taken to settle these very soon.

Actions will be taken to release the bail money as soon as the related tasks are completed.

Recommendations

Steps should be taken to refund the deposit money received to cover the expenses to the relevant parties within the specified period.

Action should be taken as per Financial Regulation 571.

2.5 Expenses Management

Audit Observation

A total of Rs.32,654,000 savings were transferred from the basic provision to other expenditure subjects in a range of 3 percent to 95 percent in 10 recurrent expenditure subjects. Also, a total of Rs.32,104,000 had been transferred from other expenditure subjects in a range of 3 percent to 1700 percent of the basic allocation for 08 capital expenditure subjects.

Comment of the Accounting Officer

That the recurring allocations are efficiently handled and steps taken to minimize variations in the future.

Recommendation

Cost estimates should be properly planned and implemented.

2.6 Over Payments

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of Section 9 of Appendix VIII of the Establishment Code of the Democratic Socialist Republic of Sri Lanka, Although it is stated that the number of hours related to the payment of holiday pay should be calculated only on the basis of the time of performing normal duties, it was observed that 73 officers working in the District Secretariat and 13 Divisional Secretariats had reported for duty after normal duty hours, but without paying attention to it, they had been overpaid by a total of Rs.1,763,047.	That it has been decided to take further action as per the instructions of the Ministry.	Steps should be taken to recover overpayments.

3. Operating Review

3.1 Non-achievement of expected Outcomes

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) By the end of the year 2021, the Mattuvil Economic Center had been constructed by the District Secretariat with a total of Rs.196,039,247 from the financial allocation given by two other ministries in the years 2018 and 2020 respectively, but the project has not been implemented so far.	That the steps have been taken to start the operations of the economic center.	Steps should be taken to utilize that economic center building.
(b) The amount received by the Delft Regional Secretariat for various projects amounted to Rs.1,689,853 and was kept in the public deposit account without being used for the relevant purposes.	That the actions have been taken to utilize deposits money.	Deposit money should be used for the relevant purposes.
(c) It was observed that 08 buildings constructed by various ministries and non-governmental organizations at the cost of Rs. 41.6 million in the Wadamarachchi East Divisional Secretariat were not being used and maintained for over 17 years.	That the rice mill of Vadamarachi East Various Services Co-operative Society was handed over to Vadamarachi East Various Services Co-operative Society and others are functioning.	Steps should be taken to utilize the relevant buildings for the purposes for which they were built.

3.2 Projects abandoned without completing

Audit Observation	Comment of the Accounting Officer	Recommendation
The purchase of equipment and building construction for the milk pasteurization project implemented by the District Secretariat from the financial allocations of the Ministry of Prisons, Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs in the year 2018 at a cost of Rs.56,640,750 were planned to be completed in 2019, but had not been completed until the end of the year under review.	That the project for the construction and completion of those buildings has been sent to the Ministry of Agriculture on 02.07.2024.	Appropriate actions should be taken to complete the projects as planned and utilize the assets.

3.3 Projects without Progress despite the release of Money

Audit Observation	Comment of the Accounting Officer	Recommendation
The sewage recycling project implemented by the District Secretariat in the year 2018 from the financial allocation of Rs.75,323,600 allocated by the Ministry of Prisons, Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs was supposed to be completed in the year 2019, but even though Rs.65,955,381 had been spent on the project, the project was not completed until the end of the year under review.	A committee has been established to settle those payments and steps will be taken to correct them promptly. Furthermore, that the actions are being made to continue the project with the support of the National Water Supply and Drainage Board.	A formal program should be prepared and steps should be taken to actively implement the project.

3.4 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
04 assets worth Rs.199,424,247 are being used by 02 Divisional Secretariats, but no steps have been taken to take over.	Thenmarachchi land acquisition measures are being carried out and letters have been sent to the Department of Survey, the Provincial Land Commissioner and the Ministry of Public Administration, Home Affairs, etc. regarding the lands of the Wadamarachchi East Divisional Secretariat.	Proceedings should be done properly and actions should be taken to take over the assets.

4. Human Resource Management

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) As on 31 December 2023, the total approved cadre was 2,085, but the actual cadre was 2,594. At the end of the year under review there were 244 vacancies in approved posts and 771 surplus officers at primary, secondary and tertiary levels.	Requests were made to the Ministry of Public Administration, Home Affairs to fill the vacancies, but the vacancies have not been filled till now. Although regarding the excess staff of the tertiary and secondary level posts and transfers had been informed by 02 letters in 2021, no action has been taken so far. Also, the establishment of the staff of development officers appointed in 2020 and 2021 was not approved. Also, appointment letters have not been issued to the employees appointed by the Multipurpose Development Battalion.	Conduct a staff review and fill vacancies as needed and a program should be applied in place to formally assign the redundant staff to other agencies where vacancies are available.
(b) As per the provisions of Public Administration Circular No. 18/2001 dated 22 August 2001, although the maximum service period that can be served in one workplace is stated as 05 years, it was observed during the sample audit that 99 officers of the District Secretariat and 13 Divisional Secretariats had worked in the same workplace for a period of 06 years to 23 years.	That the transfers have been made regarding the Development Officers.	Transfers should be done as per circular provisions.
(c) The transfer orders given to 07 officers by other ministries and district secretariats had expired for a period of 01 to 13 months, but it had not been implemented until 31 January 2024.	That the transfers for those officers will be done by the respective ministries.	It should be done as per the rules of procedure rules of the Public Service Commission.