

Head 265 - District Secretariat of Mannar

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 265 - District Secretariat of Mannar 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 Mannar was issued to the Accounting Officer on 22 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 12 June 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 Mannar 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 Statement of Financial Position

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) According to the books of the district secretary's office, the opening balance of 04 non-financial assets in the reviewed year was overstated by Rs.1,204,125,232 and the value of the non-financial assets related to the reviewed year was overstated by that amount.	That the adjustments will be made in the 2024 financial statements and the correct value will be presented.	The correct value of non-financial assets should be shown in the accounts.
(b) Non-financial assets were understated due to not valuing and accounting for the value of the 2,625 square feet land of the District Secretariat.	Valuation reports for assets have been requested from the Government Valuation Department. However, no assessment reports have been received so far. That the assessment reports are promptly taken and accounted.	The value should be estimated and included in the financial statements.

2. Financial Review

2.1 Imprests Management

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed that the financial allocation of Rs.111,242,752 was not able to be utilized due to non-issue of imprests by the treasury for 02 recurrent expenditure subjects and 05 capital expenditure subjects in the reviewed year.	That we made the imprests requests on the due dates, but the treasury did not release enough imprests and there were balances in the financial provisions.	Steps should be taken to allocate provisions and take imprests within the stipulated time.

2.2 Expenses Management

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) In the reviewed year, the total allocation of 23 expenditure subjects of the district secretary's office was Rs. 167,414,638 and there were savings in the range of 07 percent to 100 percent.	That the relevant savings occurred due to a situation where it was impossible to perform the quantified tasks, due to reasons such as constraints on availability of goods and services due to cost-effectiveness and increase in prices of goods and services, transportation difficulties etc.	Steps should be taken to make accurate estimates and prepare the budget rationally.

- (b) A total of Rs. 19,590,000 was transferred to 04 expenditure subjects of the District Secretariat from other expenditure subjects in accordance with the financial regulations, but at the end of the year under review, out of the total net provision so transferred, there was a surplus savings of Rs.7,380,273 or in the range of 02 to 14 percent. Thus, it was observed that the relevant transfers were not utilized efficiently in accordance with the requirement.
- There has been a situation where it is impossible to perform the quantitative tasks due to the economic difficulties and lack of finance in the country, the prices of goods and services are rising day by day, obstacles in getting them, transportation difficulties, etc.,
- Estimates should be prepared completely and rationally, and the provision should be utilized efficiently.

2.3 Utilization of Provisions made available by other Ministries and Departments

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) According to the expenditure report of the reviewed year, the financial allocations given under 88 expenditure subjects of other ministries and departments had been saved with a total of Rs.40,270,395 in the range of 10 to 98 percent of the financial allocations that had been made without using them for the relevant purposes.	That the savings were due to reasons such as maintaining frugality in spending, not having to fully spend the financial allocations made by some ministries, and not providing the entire amount of imprests requested by the treasury.	Steps should be taken to utilize the provisions efficiently.
(b) According to the expenditure report of the reviewed year, a total of Rs. 977,265 had been left without using the funds provided under 13 expenditure subjects of other ministries and departments.	That due to reasons such as year-end receipt of financial allocations given by certain ministries, the full expenses for the financial allocations given by the ministries did not have to be incurred.	- do -

2.4 Irregular Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
The cashier of Musali Samurdhi Bank had given Rs.3,392,000 to the beneficiaries without verifying the direct presence and personal identity of the beneficiaries at the bank counter, contrary to the Financial Regulation 139 and it was confirmed that a loss was caused by the wrongful use of this	That the full explanations regarding certain transactions carried out by Musali Divisional Secretariat Samurdhi Bank will be obtained	According to the Financial Regulations, the personal identity of the relevant beneficiaries should be verified and payments should be

amount by the concerned officer. Accordingly, Rs.2,650,000 had been collected from that amount, but the remaining Rs.942,000 had not been collected till the end of the year under review.

from the said bank and arranged to be sent promptly. made, and further steps should be taken to recover the amount due.

2.5 Balances of Advance Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
During the last 01 to 05 years, appropriate steps have not been taken to recover the total amount of Rs.520,841 of employees' due balances of 04 officers who have been suspended, left from service and retired in accordance with Section 4 of Schedule XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.	That the steps have been taken to recover the due balances.	Appropriate steps should be taken to recover as per Section 4 of Schedule XXIV of the Establishment Code.

2.6 Balances of Deposit Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A total of 119 deposits held by the District Secretariat and Divisional Secretariats, amounting to Rs.4,001,588, had been kept in the general deposit account for the past 02 years without any action being taken in accordance with Financial Regulation 571.	That the relevant people were informed by letters to get back the security deposits, but the unclaimed security deposits were transferred to the government revenue.	Actions should be taken according to the Regulation.
(b) A total of 66 deposits of Rs.4,125,661 received for various functions and deposited under 02 heads of deposit accounts had been kept idle in the general deposit account for 03 to 40 months.	That the advise has been given to taken appropriate action.	Actions should be taken to utilize it to achieve the relevant objectives.

2.7 Operating of Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
In the Mantai West Divisional Secretariat, 49 checks worth Rs.1,889,938 were in the bank reconciliation statement as unrecognized payments since 07 years, but no appropriate action had not been taken in this regard.	That the action will be taken according to the decision of the special committee appointed by the Ministry of Home Affairs regarding this fraud.	Actions should be taken according to the Financial Regulation 104 - 110.

3. Operating Review

3.1 Non-achievement of expected Outcome

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) During the year under review, from the financial allocation of Rs.17.5 million received from the International Labor Organization (ILO) Fund through the Department of Agriculture of the Central Government had provided machines to the agricultural organizations and groundnut seeds to the beneficiaries. During the field test conducted on a sample basis, it was observed that the ability to grow plants from the peanut seeds given to most of the beneficiaries was only 25 to 50 percent. Therefore, it was observed that most of the beneficiaries could not get full benefits from this program as the beneficiaries had bought peanuts from the external market and replanted them.	The community organization at the village level had cleaned the groundnuts and checked the germination capacity and confirmed the distribution, and the beneficiaries had also confirmed the germination capacity of 85 percent.	When buying groundnut seeds, its germination ability should be checked and appropriate seed purchases should be made.
(b) From the financial allocation of Samurdhi Development Department, in the Nanattan Divisional Secretariat Samurdhi Nutrition Bojunhalla and Sales Center had been established by spending Rs.6,321,438 in the years 2021 and 2022, but due to lack of proper feasibility study and construction of this building, the expected benefits had not been achieved.	No answers have been given.	In the future, a feasibility study should be carried out when carrying out such constructions, and suitable actions should be taken to efficiently run the Samrudhi Nutritional Bojunhalla that has been built so far.

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| (c) | It was observed during the field inspection that out of 360 female goats given to 120 beneficiaries from the goat breeding project proposed in 2023 to increase the livelihood of people living in underdeveloped rural areas under the financial allocation of Rs.9.9 million from the Ministry of Agriculture, 20 goats given by May 06, 2024 had died due to illness within 14 days. However, as per the terms of the contract, the expected benefits could not be achieved due to the fact that the supplier has not provided new goats to replace the dead goats until now. | That the legal action is being taken against the supplier | According to the terms of the contract, actions should be taken to replace the dead goats with new goats from the supplier. |
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3.2 Management Weaknesses

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) Out of the loans given by 09 Samurdhi Banks under the Mannar District Samurdhi Development Department to 622 members receiving Samurdhi subsidies, the outstanding loan balance for which monthly loan installments have not been charged for a period of 03 to 30 months was Rs.25,160,211 and Samurdhi Managers and District Samurdhi Directors have not taken any effective action regarding the recovery of outstanding loans.	Beneficiaries are being advised and collections are being made regarding outstanding loans. Further, that the District Secretary has instructed the Divisional Secretaries in the Progress Review Committee to take legal action against the beneficiaries who cannot be charged and the work is in progress.	Appropriate steps should be taken to recover the loan monthly as per the agreement.
(b) In checking the bank accounts of Samurdhi Banks under the Mannar District Samurdhi Development Department, it was observed that the monthly Samurdhi payments for the beneficiaries were continuously deposited in the Samurdhi Bank account, but 223 beneficiaries did not withdraw the sum of Rs.17,739,811 from 10 to 48 months and did not use it for their needs. Accordingly, it was observed that beneficiaries who do not need subsidy were selected.	At the present time, that these are confirmed and are being worked on to provide them to those who deserve them and to stop them from being given to others.	Steps should be taken to select Samurdhi beneficiaries as per the criteria and conduct proper inspection and weed out the unwanted people and give the benefits to the needy people.

4. Human Resource Management

Audit Observation

Although the approved staff for the District Secretariat and Divisional Secretariats was 667, but at the end of the year under review there were 177 staff vacancies and 69 excess of Development Officers.

Comment of the Accounting Officer

Under the program of giving permanent appointments to unemployed graduates implemented by the government all over the island, 69 surpluses emerged. According to the request of the Ministry of Home Affairs, that we have sent proposals for establishing new posts to the Ministry.

Recommendation

Timely steps should be taken to fill vacancies and appropriate action should be taken in respect of excess staff.