

## **Head 268 - Kilinochchi District Secretariat -2024**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 268 - The audit of the financial statements of Kilinochchi District Secretariat for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance for the year then ended and cash flow statement 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 Kilinochchi was issued to the Accounting Officer on 26 May 2025 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 26 May 2025 in terms of Section 11(2) of the Audit Act. This report will be tabled in 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 Kilinochchiya District Secretariat as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the basis of preparation of the financial statements set out in Note 1.

#### **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 Emphasis of matter - Basis of preparation of financial statements**

The attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of the financial statements. The financial statements have been prepared for the use of the Treasury and Parliament of the Kilinochchiya District Secretariat in accordance with Government Financial Regulations 150 and 151 and Public Accounts Guideline No. 6/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Kilinochchiya District Secretariat, the Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

#### **1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Government Financial Regulations 150 and 151 and Public Accounts Guideline No.6/2024 dated 16 December 2024 as amended on 21 February 2025 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.

## **1.5 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 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.

## **1.6 Comments on Financial Statements**

### **1.6.1 Accounting Deficiencies**

#### **(a) Capital expenditure**

<b>Audit Observations</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The District Secretariat had not shown the purchase of capital assets worth Rs. 4,062,656 under the relevant expenditure item, but it had been shown under the expenditure item for rehabilitation and improvement of capital assets.	Apart from the construction of the water drainage system, the balance has been spent as additional expenses to address the deficiencies of the existing buildings. The additional expenditure has been incurred under the above expenditure item. However, the items which you submit will be adjusted in the future.	The relevant expenditure should be incurred under the specified expenditure heading, and the expenditure should be shown as an asset in the financial statements.

#### **(b) Property, Plant and Equipment**

<b>Audit Observations</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) Although the purchase of capital assets during the year under review had been stated as Rs.16,101,562 in the Statement of Financial Performance (ACA-F), A discrepancy of Rs. 579,011 was observed as it was stated as Rs. 16,680,573 in the Treasury SA 82 printout.	This change has arisen because an amount of Rs. 579,011 has been capitalized through other capital assets.	A formal reconciliation should be made and the correct balance should be entered into the financial statements.
(ii) Although 34 motorcycles belonging to the District Secretariat and 04 Divisional Secretariats had been stated in the asset register, a difference of 17 motorcycles was observed due to the total number of motorcycles stated as 51 in the Cigas software package.	Steps are being taken to include these motorcycles in the Cigas software package of the District Secretariats and Divisional Secretariats.	The value of the correct number of motorcycles should be adjusted in the financial statements by comparing it with the asset records and the Cigas software package records.
(iii) Since the total value of the acquired assets by the District Secretariat and the 4 Divisional Secretariat in the year under review, Rs. 1,973,539, was not	Steps are being taken promptly to include the assets acquired through the receipt order issued to the District Secretariat.	Promptly steps should be taken to include assets acquired through the receipt order into the Cigas software package.

included in the Cigas software package, the value of the non-financial assets had been understated by that amount.

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| (iv) | Due to failure to formally verify ownership, the value of 45 fixed assets worth Rs. 839,430,521 that were not relevant to the District Secretariat and 04 Divisional Secretariats had been included in the accounts of the year under review. | The value of 45 fixed assets not related to the District Secretariat and 04 Divisional Secretariats will be adjusted. | Action should be taken to acquire ownership of those fixed assets using an expedited process. |
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## 2. 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 consistent with the previous year.
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

## 3. Financial Review

### 3.1 Utilization of Provisions made available by other Ministries and Departments

	Audit Observations	Comments of the Accounting Officer	Recommendation
(a)	The total amount saved from the allocations provided by other ministries and departments for the capital subject is Rs. 71,827,605, which ranges from 10 percent to 100 percent.	That the government expenditure was carried out economically and in accordance with circulars.	A formal program should be formulated to fully utilize the funds provided by other ministries and departments for the development of the district.

### 3.2 Non-compliance to Laws, Rules and Regulations

	Observation			Comment of the Accounting Officer	Recommendation
	Reference to Laws, Rules and Regulations	Amount Rs.	Non-compliance		
(a)	Land Commissioner General's Circular	-	The title deeds belonging to 755	Steps have been taken to issue full	Steps should be taken to promptly issue title

No. 2024/01 dated 21 December 2024	beneficiaries who had been received to the office after the work was completely completed had not been given to the relevant beneficiaries.	title certificates to the public.	certificates to the beneficiaries in accordance with the circular.
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| (b) | Land Commissioner<br>General's Circular<br>No. 96/05 dated<br>1996.08.01                        | 16,880,241 | Annual rent had not<br>been collected for<br>the lands provided<br>on lease basis in 02<br>Divisional<br>Secretariats. | Court action is being<br>taken against those<br>who do not pay<br>annual taxes under<br>the Property<br>Recovery Act. | Steps should be taken<br>to promptly collect<br>annual taxes. |
| (c) | State Ministry of<br>Home Affairs<br>Secretary's Circular<br>No. 04/2022 dated<br>16 March 2022 |            | 20 officers working<br>in 02 Divisional<br>Secretariats had not<br>been deposited<br>security deposit.                 | Steps have been taken<br>to obtain security.                                                                          | Action should be<br>taken according to<br>the circular.       |

### 3.3 Informal Transactions

Audit Observations	Comments of the Accounting Officer	Recommendation
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| (a) | It was observed that during the year under review, the District Secretariat had paid Rs. 86,258 as late fees due to delay in payment of electricity bills. | This expense was incurred due to interest payments due to the delay in receiving the electricity bill and the delay in receiving the imprest. | Adequate investigation should be carried out and action taken against the responsible officials, and an internal control system should be established to ensure that bills are paid on time. |
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### 3.4 Advance Accounts Balances

Audit Observations	Comments of the Accounting Officer	Recommendation
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| (a) | Rs. 526,036 of the loans given to employees from the advance account of government officers at the District Secretariat had not been recovered for 10 to 20 years. | Follow-up is being carried out to recover outstanding loans issued by the District Secretariat. | Urgent steps should also be taken to collect the loan balance on time. |
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#### **4. Operating Review**

##### **4.1 Non-achievement of Expected Output Level**

<b>Audit Observations</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Although 114 beneficiaries of the housing projects provided by the Ministry of Resettlement, Housing and Urban Development through 03 Divisional Secretariats have not fully completed the housing project activities, Rs. 21,873,494 had been deposited into their bank accounts for the total amount.	Payments are currently being made for housing projects undertaken by the Ministry of Urban Development and Housing based on the progress of the housing projects.	Steps should be taken to conduct a formal investigation and take action against the officers who have made irregular payments, and to complete the project using an expedited process.
(b) It was not possible to obtain the expected benefits due to total amount of Rs.620,000 from the interest-free loans provided by the Ministry of Child Development and Women's Affairs through the 4 Divisional Secretariat to improve the livelihoods of widows and female-headed households in Sri Lanka, had been deposited in the bank for a period of 3 to 05 years without being used for the intended purpose.	Documents and explanations regarding the payment of the loan have not yet been provided and steps are being taken to provide them to other beneficiaries on a rolling basis.	Steps should be taken against officers who have not been directed towards the project objectives through formal supervision and direction, and a program should be implemented to direct the project towards the objectives through formal supervision.
(c) The machinery and equipment for the production of jaggery, Palm water bottling, palm arrack production and coconut husking purchased at a cost of Rs.26,165,050 and provided to the Kilinochchi District Palm and Coconut Development Cooperative Society by kilinochchi District Secretariat in the year 2019 with the financial contribution of the Ministry of National Integration and Reconciliation, have not been used for more than 06 years, and no action had been taken to implement those projects.	It has been decided to hand over the machine to a palm oil cooperative society with other capabilities and steps will be taken to operate the machine.	- do -

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| (d) | Machinery worth Rs.17,600,000 has been provided for Winayagapuram Farmer's Co-operative Society in the year 2018 to fruit and vegetable processing factories implemented under the funds of the Ministry of Resettlement, Rehabilitation, Northern Development and Hindu Religious Affairs, and this device had not been used for more than 7 years. | They have requested a new small machine for this purpose because they do not have enough money for the inputs.                                                                                  | - do -. |
| (e) | The equipment for producing papadums purchased by the District Secretariat in the year 2018 at a cost of Rs.9,386,653 and provided to the Thiruvaiyaru Educated Youth Agricultural Consumers Cooperative Society had not been used for 07 years.                                                                                                     | Due to the lack of funds to start papadum production in the relevant cooperative society, the Assistant Cooperative Commissioner's Office is trying to take steps to attract private investors. | - do -  |

## 4.2 Management Weaknesses

	<b>Audit Observations</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	At the end of the year under review, the outstanding loan installments to be recovered from 1517 beneficiaries from loans provided by 08 Samurdhi Community Based Banks in 04 Divisional Secretariats amounted to Rs. 19,838,624.	Steps will be taken to recover outstanding premiums.	Steps should be taken to recover outstanding loan balances in accordance with the agreements.

## 5. Human Resource Management

	<b>Audit Observations</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	Although the approved staff of the District Secretariat and 04 Divisional Secretariats as of 31 December 2024 is 532, the actual staff was 622. There were 28 vacancies in the approved staff and 118 surplus staff at the primary, secondary and tertiary levels.	The Department of Management Services has been informed about the attachment of surplus staff and has been informed to update the staff, staff vacancies will be included in the quarterly staff report and sent.	A staff review should be conducted and steps should be taken to fill only the necessary vacancies and to assign surplus staff to other institutions.