

Head 271 – District Secretariat - Trincomalee

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Trincomalee for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Summary Report containing my comments and observations on the financial statements of the District Secretariat, Trincomalee was issued to the Chief Accounting Officer on 29 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the District Secretariat, Trincomalee was issued to the Accounting Officer on 22 July 2020 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements which was prepared in accordance with the provisions of the Public Accounts Circular No. 271/2019 dated 03 December 2019, give a true and fair view of the District Secretariat, Trincomalee as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and fair position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

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 annual and periodic financial statements to be prepared.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the District Secretariat in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 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, they could reasonably be expected to influence the economic decisions of users taken 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- It is not intended to express an opinion on the effectiveness of internal control of the District Secretariat to plan appropriate audit procedures in a timely manner.
- Evaluate Structure of Financial Statements Including Disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

5.1 Report on Other Legal Requirements

I declare the following matters in terms of Section 6(1) (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) The financial statements for the year under review were consistent with those of the previous year.
- (b) The recommendation in my report on financial statements for the previous year regarding the observation made in paragraph 1.6.4 (a) (i) of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of the Financial Position

Audit Observation

According to the reports of the District Secretariat, the value of non-financial assets as at 01 January 2019 was Rs. 1,566,195,878 and according to the statement of financial position it was amounted to Rs. 1,636,948,492 thus, a difference of Rs.70,752,614 had been indicated.

Recommendation

Treasury book balances should be tally with the balance in the statement of financial position.

Comments of the Accounting Officer

The value of these assets has changed through the Department of Public Accounts, by a technical error in the Cigas system. Although the Chief Accountant has met with the officials of the Public Accounts Department on a number of occasions through letters appended to the Public Accounts Department on several occasions to rectify it, it has not yet been rectified. Accordingly, there was a difference in the values shown in the Treasury printouts and the values shown in the District Secretariat from February 2019. However, I would like to inform you that the figures given in the financial statements of the District Secretariat are correct.

1.6.2 Cash Flow Statement

Audit Observation

The Cash Flow Statement for the financial year under review was prepared in accordance with the format of the year 2018, not in accordance with the ACA - (C) form introduced as per Public Accounts Circular No. 271/2019 dated 03 December 2019.

Recommendation

The cash flow statement for the financial statements for the year **2019** should be prepared in accordance with the format introduced in terms of Public Accounts Circular No. **271/2019**.

Comments of the Accounting Officer

The Cash Flow Statement for Financial Statements for the year **2019** has been prepared and submitted in accordance with the ACA-(C), I would like to inform you that the current cash flow statement has not changed as a whole.

1.6.3 Certifications to be made by the Accounting Officer

Audit Observation

Recommendation

Comments of the Accounting Officer

In accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the District Secretariat and the effectiveness of the system should be periodically reviewed and the necessary modifications should be made to make the system work effectively and such reviews should be made in writing and submitted to the Auditor General, but statements that such reviews had been made had not been submitted to the audit.

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

The Internal Audit Division of the District Secretariat is constantly reviewing the effectiveness of financial control and for this purpose, I declare that the powers under the Financial Regulations, the Payment Procedure for Standing Orders, the Action Plan Audit Internal and amendments to the Payment Procedure for Standing Orders will be used.

1.6.4 Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with Laws, Rules and Regulations observed in the audit test check are analyzed and shown below.

Reference to Laws, Rules and Regulations	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
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-----	Rs.	-----	-----	-----
<p>(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka</p> <p>-----</p> <p>(i) Chapter XIX Section 5.2.1</p>	<p>825,600</p>	<p>Rents were not charged as per provisions.</p>	<p>Rental should be charged as per provisions.</p>	<p>I inform that this Government Building belongs to the Department of Archeology and it is not within the purview of this Office as it is</p>

				the duty of the Department to deal with the lease of houses or to take legal action as required.
(ii) Chapter XXIV Section 3.5	750,000	Distress loans were paid to the officers of the town and Gravets Divisional Secretariat who were exceeded deduction limit of 40 per cent from the salary on 3 occasions during the year under review.	Must act in accordance with the Establishments Code.	Will be corrected in the future.
(b) Public Administration Circulars ----- Paragraph 2 (a) of Circular No. 21/2013 dated 07 October 2013	614,608	Although, Officers working on public holidays are required to work at least eight hours a day, eleven officers who had worked less than eight hours a day according to the fingerprint machine were paid holiday pay during the year under review.	Payment should be made based on the times recorded on the fingerprint machine. If there are faults in the fingerprint machine, action should be taken to restore it without delay.	That holiday pay has been paid based on the daily attendance register.
(c) Circular 07/2019 of the Ministry of Finance, Economic and Policy Development dated 04 December 2019	1,753,035	Although the purchase of new vehicles, the purchase of office equipment and the renting of buildings should not be done under public expenditure management and financial discipline, office equipment was purchased by the District Secretariat during the year under review.	Action should be taken to manage government expenditure as per circular instructions.	Purchased essential items to carry out day to day activities.

(d) **Assets**

**Management
Circulars**

Circular No.			Action should be taken as per the relevant circulars.	Action will be taken in the future.
02/2017 of the Ministry of Finance and Mass Media dated 21 December 2017	-	The institute did not have the registration ownership for seven vehicles in the Muttur Divisional Secretariat, and no action had been taken to obtain the ownership of registration as per the provisions of the circular.		

1.6.5 Unauthorized Transactions

Audit Observation	Recommendation	Comments of the Accounting Officer
Bidding documents for the Neelapanichchankulama tank access road development project with an estimated value of Rs. 71,440,000 had not been approved by the Procurement Committee and the Technical Evaluation Committee of the District Secretariat..	Bidding documents must be approved by the Procurement Committee and the Technical Evaluation Committee.	The selection of the contractor for this project has been approved by the Procurement Committee and the Technical Evaluation Committee.

2. Financial Review

2.1 Imprest Management

Audit Observation	Recommendation	Comments of the Accounting Officer
In case of release of imprest for the year under review, the imprest provided as per the advice of the Treasury (advice of the release of imprest) should be used for the relevant purposes only and should not use for other expenditures and purposes. However, Rs. 96,117,643 had been spent in excess from the amount received for Presidential Secretariat	Attention should be pay to use the imprest received only for the relevant purpose.	That money from other sources was used to pay suppliers on the basis of priority and the need to continue the project.

Expenditure Head No. **01**. Out of the funds amounting to Rs. 80,236,658 received from the Head 104 - Ministry of National Policies, Economic Affairs and Rehabilitation and Resettlement, the relevant Heads were spent on activities outside the intended purpose.

2.2 Expenditure Management

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Out of the Provision of Rs. 26,450,000 made for five subjects of capital expenditure, only Rs. 9,204,641 was spent, therefore, Rs. 17,245,359 provision had been saved. As a result, the savings ranged from 100 per cent to 42 per cent.</p>	<p>Should execute the planned activities without delay and should maintain a proper budget control.</p>	<p>That capital provisions are left over due to the lack of imprests.</p>
<p>(b) During the year under review, supplementary provision of Rs.1,350,000 had been made for other capital expenditure subject 271-1-1-0-2509 on 15 October 2019 but those provisions were fully saved without spending.</p>	<p>Obtaining Approval for Provisions for Properly Planned Projects.</p>	<p>That the provisions have been saved due to abundant of the implementation of the relevant project.</p>

2.3 Utilization of funds provided by other Ministries and Departments

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>It is the responsibility of every Accounting Officer to make the best use of the provisions allocated to his department in accordance with Financial Regulation 208, Out of the allocation made by 08 other Ministries and Departments to the District Secretariat amounting to Rs. 897,386,975 only Rs. 485,996,867 was spent and Rs. 411,390,108 was saved from that allocation. The savings ranged from 61 per cent to 31 per cent.</p>	<p>Activities should be planned in such a way as to maximize the benefits of the available fun.</p>	<p>That the provision was saved due to non-receipt of the funds requested from the Treasury</p>

2.4 Non-compliance with tax requirements

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
According to Section 85 of the Inland Revenue Act No. 24/2017 dated 18 April 2018, the PAYE tax of Rs.176,567 which should have been deducted from the employees for the period from January to December 2018 had not been deducted from them and sent to the Inland Revenue Department.	According to the Inland Revenue Act, PAYE tax should recover for the relevant period.	When applying the Inland Revenue Act issued in the year 2018 to the public sector officers, due to certain problematic conditions on applying, PAYE tax on has not been deducted.

3. Operational Review

3.1 Local Funded Projects

Following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) According to the letter No. PH / NECA / 2019-01 of the Secretary to the Ministry of Prisons, Rehabilitation and Resettlement dated 12 January 2019 and GAT/EST/RESET/Hou/VOL-II/2016 Issued by the Trincomalee District Secretary in September 2016 on the selection of sub families as recipients of houses under the resettlement program, those who were married before resettlement were to be selected as sub-families and those who were disabled due to war or allied causes were to be selected. However, married persons after resettlement and persons with disabilities due to other natural causes were also selected as beneficiaries in relation to the town and Gravets Divisional Secretariat.	Action should be taken in accordance with the relevant circular instructions.	Relevant beneficiaries were selected on the recommendation of the committee.
(b) Out of the allocations made by the Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Provincial Development and Youth Affairs in 2016, 2017 and 2019, Implemented a Rs. 2,150 million housing and livelihood assistance project for war displaced and resettled families in the Trincomalee District. According to sample audits	Although this project has been implemented to provide housing for resettled families and improve their living conditions, the implementation	Due to the fact that this project has not been able to achieve the Sustainable Development Goals such as Beneficiaries have been selected by the selection

of the projects at the Kinniya, Muttur, Thambalagamuwa and Verugal Divisional Secretariats, 10 years after the end of the war for new housing and livelihood assistance projects, there has been no significant improvement in the living standards of the beneficiaries.

of the project apart from that objective has taken place during the last 10 years and action should be taken to implement the project in line with the objectives.

committees as per the circular instructions, Relevant beneficiaries have been informed to use unused houses, Livelihood projects are monitored by the Divisional Secretaries whenever possible, and inadequate funds have been received to meet the existing housing needs in the district.

- (c) It is questionable whether the selection of beneficiaries was done fairly and correctly as the members of the committee appointed for the selection of resettlement beneficiaries in the Town and Gravets Divisional Secretariat have also been appointed as members of the Appeals Committee.

Another committee should be appointed to act on appeals.

Appeals were evaluated by a committee appointed to select the beneficiaries.

3.2 Procurement

Audit Observation

When choosing the lowest bidder that simply responds, according to paragraph 7.9.11 (a) of the Government Procurement Guidelines for the project Construction of Neelapanichchikulama Lake Access Road, If the bidder mentions real low subquantities on critical or very important items, the Technical Evaluation Committee should be satisfied and select a contractor. However, this was not taken into consideration in selecting the contractor for the Neelapanichchamkulama tank access road development project with an estimated value of Rs. 55,000,000. Furthermore, the contractor had defaulted on 98 percent of the contract by performing only the items that were advantageous to him due to lack of pre-contract qualifications.

Recommendation

The selection of the contractor should be done correctly and the work should be completed within the contract period.

Comments of the Accounting Officer

That the Contractor's prices were reasonable and that the Technical and Procurement Committee evaluated based on the District Pricing Committee prices.

3.3 Assets Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the disposal of abandoned vehicles should be completed expeditiously as per Public Finance Circular No. 02/2015 dated 10 July 2015 and Circular No. 01/2018 dated 19 March 2018 , it was observed that no such action had been taken against 06 vehicles in the premises of the District Secretariat since 2016 .	Action should be taken to complete the disposal as soon as possible as per the relevant circular instructions.	That work on these vehicles will be completed in the near future.

3.4 Management Weaknesses

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Officials who have been awaiting transfers for a long time in the Divisional Secretariats far from the city have been subjected to injustice because there was no transfer policy had implemented in respect of officers who exceed 05 years of service in the District Secretariat and Divisional Secretariats.	Steps need to be taken to implement the transfer policy.	Officers with more than 5 years of service are in the process of being transferred.
(b) In accordance with the Extraordinary Gazette Notification No. 1789 dated 17 December 2012 and the Extraordinary Gazette Notification No. 2014/05 dated 31 December 2018 of the Democratic Socialist Republic of Sri Lanka, Stamp duty of Rs. 114,000 had not been recovered for liquor licenses issued by the Town and Gravets Divisional Secretariat for the years 2018 and 2019 .	Charges should be recovered as mentioned in the relevant gazette notification.	Action will be taken to recover stamp duty as stated in the relevant gazette notification.

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|-----|---|---|--|
| (c) | Even though, the total value of accidents caused by 07 vehicles belonging to the District Secretariat and Divisional Secretariats during the period 2002 to 2014 was estimated to be Rs.2,472,079, however, it was observed that due to the delay in the relevant investigations, no action had been taken to recover the relevant value. | It has been a long time since these accidents occurred and action should be taken to expedite the collection of relevant charges and loss deductions. | There are difficulties in locating certain documents related to these accidents and charges are being made by the responsible parties and referrals have been made to the Ministries for further action regarding the damages. |
| (d) | Expenditure on cleaning services as well as government building rent was understated by Rs. 1,350,260, due to the amount of Rs.1,350,260 of cleaning services Expenditure (271-01-01-1303) in the District Secretariat Premises for the period from March of the year under review to March 2020 from the Government Building Rent income (2002-01-01). | Action must be taken to account for the correct amount of government revenue and expenditure. | That the building rent received was used to cover the cost of the cleaning service. |

4. Achieving the Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
Officials were not adequately aware about the Sustainable Development Goals and the Sustainable Development Goals were not identified. Therefore, it was not possible to make an assessment of the achievement of the relevant targets for the year under review.	It should be identified and implemented sustainable development goals.	Steps have been taken to streamline the internal control system and to conduct capacity training programs for officers to fully utilize the resources, manage the resources and strengthen the enabling environment for transparency within the public sector legal framework. It has been emphasized that this has provided the necessary background to reach the Sustainable Development Goals.

5. Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to fill total vacancies of 257 containing 20 vacancies for executive level, 19 vacancies for tertiary level officers, 186 vacancies for secondary level officers and 32 vacancies for primary level officers

Prompt attention should be paid to fill the vacancies in essential posts and action should be taken to fill them.

Relevant institutions have been informed regarding the vacancies.