

Head 269 – District Secretariat, Batticaloa

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the District Secretariat, Batticaloa for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the District Secretariat, Batticaloa was issued to the Accounting Officer on 28 May 2020. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of 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 prepared in accordance with the provisions of the State Accounts Circular No. 271/2019 dated 03 December 2019, give a true and fair view of the financial position of the District Secretariat, Batticaloa as at 31 December 2019, and of its financial performance and cash flows 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 opinion.

1.3 Responsibility of the Accounting Officer for the Financial Statement

The Accounting Officer are responsible for the preparation of financial statements in accordance with the provisions of the State Accounts Circular No. 271/2019 dated 03 December 2019 that give a true and fair view in accordance with Generally Accepted Accounting Principles and for such internal control as the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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 of the District Secretariat, to enable annual and periodic financial statements to be prepared.

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 of the District Secretariat exists and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for 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, 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 scepticism 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit 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 overall presentation, 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 whether the transactions and events for the structure and content of the financial statements are included appropriately and in a manner that achieves fair presentation when preparing the overall financial statements.

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

As required by Sub-section 6 (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements are consistent with the preceding year.
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

Reference to the Paragraph	Audit Observations	Recommendations
1.6.2 (e)	A sum of Rs. 103,100 received from the sales of the District Secretariat had been shown as an amount received from operating activities instead of shown under cash inflows generated from investment activities in the cash flow statement during the year under review.	Cash inflow received from sales should be shown under cash flow generated from investment activities in the cash flow statement.
3.3 (a)	Activities in respect of acquisition of lands for resettlement of people who were affected by tsunami and paying compensation for such lands had been completed by the Divisional Secretariat, Manmunai North in the year 2017. However, after that, a compensation of 6.3 million had been obtained by three persons by submitting fake documents. Even though this compensation was recommended to be paid by the responsible officers of that Divisional Secretariat without paying attention in respect of accuracy of such documents, no any disciplinary actions had been taken against the officers up to now.	According to Financial Regulation, disciplinary actions should be taken immediately against officers who work with careless, neglect their works and made loss to the Government.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comment of the Accounting Officer
According to Financial Regulation 106 and 113, value of losses totalling Rs. 7,574,260 in respect of 32 accidents incurred to 26 vehicles had been shown in the statement of losses and waivers of the financial statements. However, actual loss value had not been shown in the accounts by rectifying a sum of Rs. 6,730,186 which was received from the insurance institution against this loss.	According to Financial Regulation 106 and 113, actual values should be shown in the financial statements for the year under review by rectifying amount received from the insurance institution against the losses.	Value of losses in respect of vehicle accidents will be shown by rectifying the amount received from the insurance institution and responsible officers against the respective losses in the statement of losses and waivers of the financial statement when proper write off takes place.

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Opening balance of building and structures of Rs. 1,148,016,532 had been shown as Rs. 1,180,780,385 in the statement of financial position, thus total assets for the year under review had been overstated by Rs. 32,763,853.	Actual values of non-current assets should have been shown in the financial statements for the year under review correctly.	Treasury has been informed by us for rectifying said activity and remedial action is being taken by the Treasury.
(ii) Opening balance of machinery and equipment of Rs. 405,147,500 had been shown as Rs. 403,156,986 in the statement of financial position, thus total non-current assets for the year under review had been understated by Rs. 1,990,514.	Actual values of non-current assets should have been shown in the financial statements for the year under review correctly.	At present, it had been rectified by Web Interface.

(iii)	A total sum of Rs. 477,697,552 paid in respect of construction works of uncompleted new District Secretariat building and Divisional Secretariat building, Manmunai South Eruvilpattu up to the end of the year under review had been shown under buildings and structures account in the financial statements.	An amount paid for uncompleted buildings should be shown as work in progress in the financial statements.	Said accounting activity had been made by the CIGAS accounting package, thus action will be taken to rectify by following an appropriate step relating to respective account transfer in future
(iv)	Actual value of loss amounting to Rs. 1,460,348 incurred in respect of accident of office vehicle in the year under review had not been shown in the statement of losses and waivers of the financial statements.	Actual value of losses incurred for office vehicle should be included in the in the statement of losses and waivers of the financial statements.	Approval had been obtained for amendment from the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government. Value will be assessed and included in the financial statement which will be prepared for the year 2020.
(v)	Assessment values of quarters belonging to 06 Divisional Secretaries had not been computed and shown in the financial statements.	Assessment values of quarters belonging to Divisional Secretaries should have been computed and shown in the financial statements	It had not been assessed and given by above ministry up to now. As such, values thereof had not been shown in the financial statements.

1.6.3 Capital Expenditure

Audit Observation	Recommendation	Comment of the Accounting Officer
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According to Financial Regulation 66, A total sum of Rs. 6,417,718 approved by the Treasury in the year under review had been shown as Rs. 6,500,238 in the summary of capital expenditure of the financial statements.	According to Financial Regulation 66, An amount approved by the Treasury only should be shown in the summary of capital expenditure of the financial statements.	When transferring between two projects, a sum of Rs. 82,479.00 transferred under head 269-1-2-0-149 had been added twice erroneously. As a result, such amount had been shown as Rs. 6,500,238.00.

1.6.4 Noncompliance with Treasury Books

The following observations were made.

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) A sum of Rs. 2,170,063,633 shown under object 9165-0-0-269-0-0-0 in the summary of reserve for liability of the Treasury printout had not been shown in the financial statements.	Amounts shown in the summary of reserve for liability of Treasury Printout should be shown in the financial statements.	In the activities of account summary through CIGAS, non-current assets are accounted and issued by CIGAS Web Interface, thus any corrections could not be made by us in said heads.
(ii) Even though there were not liabilities as per Treasury printout, a sum of Rs. 671,382 had been shown as liabilities in the statement of liabilities (Note IV) of the financial statements.	An amount shown in the Treasury printout should be disclosed in the financial statements. If not shown as well, this matter should be mentioned in the financial statements with the explanation for differences.	An amount shown in the statement of liabilities (Note IV) of the financial statements had been shown as liabilities due to provisions were ended and shortage of provisions in said expenditure heads of certain Divisional Secretariats.

1.6.5 Cash Flow Statement

Audit Observation	Recommendation	Comment of the Accounting Officer
Even though net cash flow for the year under review had been as zero value, a negative value of Rs. 58,417,194 had been shown as net cash flow in the Tamil copy of cash flow statement of the financial statements submitted for audit.	All amounts shown in all Tamil, Sinhala and English copies of the financial statements submitted for audit should be shown without difference among each other.	An error of zero value had incurred due to careless in copying and binding activities for first Tamil copy.

1.6.6 Lack of Evidences for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
Two audit queries issued to the District Secretariat in the year under review had not been replied up to 12 August 2020 and assessable value of transactions relating to those audit queries had been as Rs. 11,612,500.	Action should be taken to issue replies in respect of audit queries which were issued by the National Audit Office in due course.	Actions are being taken to send replies in respect of audit queries expeditiously.

2. Financial Review

2.1 Imprest Management

Audit Observation	Recommendation	Comment of the Accounting Officer
Required imprests had not been issued by the Treasury due to having interest to implement certain works at the end of the year without completing such works in due period as planned. As a result, it was observed that 496 works totalling Rs. 610,821,573 could not be completed.	Proper action should be taken to receive imprests and complete such works within the due period as planned.	Provisions had been made available for development works in fourth quarter of the year, thus said works is required to implement at the end of the year by considering development of the district. Therefore, imprests could not be received for such works.

2.2 Revenue Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though revenue estimate in respect of other receipts had been as Rs. 30,646,200 in the year under review, actual collected revenue had been as Rs. 258,244,484, thus revenue estimate had been prepared in an unrealistic manner.	Revenue estimate should be prepared in a realistic manner as per provisions of Financial Regulation.	Estimates in respect of revenue recoveries are not requested by respective departments, thus estimates in this regard are not prepared by us. As a result, excess revenue over estimate had been saved.

2.3 Expenditure Management

Audit Observation	Recommendation	Comments of the Accounting Officer
It is stated to pay attention to save 5 per cent in the electricity bill in terms Section 02(II) of the Budget Circular No. 04/2019 of 17 June 2019 of the Ministry of Finance. However, contrary to this instruction, an amount less than 1 per cent only had been saved in the provision made.	Action should be taken to save 5 per cent in the electricity bill in terms of the circular of the Ministry of Finance.	Usage of electricity had been increased due to new building complex had been constructed for the usage of Divisional Secretariats and usage of them and new appointments of graduate trainees had been given by the Government.

2.4 Assurances to be made by the Chief Accounting Officer and the Accounting Officer

The Chief Accounting Officer and the Accounting Officer should ensure the matters given below in terms of the provisions of Section 38 of the National Audit Act, No. 19 of 2018. However, action had not been taken accordingly.

- (i) 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 alternations as required for such systems to be effectively carried out. Such reviews should be made in writing and a copy thereof should be presented to the Auditor General. However, no explanation was made to the Audit that a review had been made.

2.5 Deposits

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 450,000 received from Department of Rural Industries, Eastern Province for land acquisition and disposal of wastewater project in the years 2016 and 2017 had been kept in the deposit account continuously for over 02 years without being used in due period and taken action to implement that project.	Action should be taken to utilize the amount received for said project for implementing in due period.	According to Financial Regulation 570, an amount deposited for land acquisition activities may be kept in the deposit account for 10 years since the date of deposit. Accordingly, it is being maintained in the deposit account until said project is completed.

3. Operating Review and Performance

3.1 Performance

3.1.1 Activities contrary to Main Functions

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) A provision of Rs. 6,700,000 issued by the Ministry of National Integration, Reconciliation and Official Languages in the year 2018 for the purpose of enhancing children parks which were with various deficiencies in the area of Eravurpattu had not been utilized for intended purpose. Further, it had been spent for constructing a new children park at Kumaraveliyar rural area which was with stagnating water without permission of the Land Reclamation and Development Cooperation contrary to plan proposed.	Provisions issued for the purpose of enhancing the children parks in the area of Eravurpattu should be utilized for intended purpose only.	Information on audit queries relating to children park, Eravurpattu is being collected. Replies in respect of these queries will be sent you expeditiously.
(ii) A sum of Rs. 500,000 out of provisions issued for the purpose of promoting the economic and social infrastructure facilities of the public under the division of Manmunai South West Divisional Secretariat had been spent for purchasing office furniture contrary to said objective.	Provisions issued for said purposes should be used for intended purposes only.	Furniture had been purchased for the usage of new building complex by utilizing savings of provisions given for intended purpose.

3.1.2 Failure to obtain Expected Output Level

The following observations are made.

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Fifteen wells valued at Rs. 2,072,950 out of 54 agricultural wells constructed with the purpose of increasing	Proper actions should be taken to utilize said agricultural wells as enable to achieve the construction purpose of them.	Action had been taken to utilize 10 wells and 5 other wells out of 15 wells completely and partially respectively now.

non-poisonous agricultural products and thereby improving living standard and nutrition level of the public in the area of Vaharai by the Ministry of National Integration, Reconciliation and Official Languages were remained in dilapidated and abandoned position for over one year without being utilized for cultivation activities

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| <p>(ii) Further, provision of Rs. 2,969,635 had been issued by that ministry to the Divisional Secretariat, Manmunai South West in the year 2018 for goat and poultry farming with the purpose of increasing income level of public who had lost livelihood by war. However, it had not been implemented by the Divisional Secretariat through carrying out a proper feasibility study as enable to achieve expected output level of this project. As such, this project had remained as idle within the short period.</p> | <p>Action should be taken to implement projects as enable to achieve respective targets thereof.</p> | <p>It is informed that actions will be taken to implement as enable to achieve target by taking actions to avoid these errors in future and actions will be taken against the officers who related to this.</p> |
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3.1.3 Failure to obtain Expected Outcomes

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>A sum of Rs. 2,954,000 had been spent by Rural Infrastructure Special Programme and Office for National Unity and Reconciliation for the project of supplying drinking water to the public of newly constructed house scheme</p>	<p>It should be implemented by obtaining proper feasibility study and report on water quality before implementing this project and actions</p>	<p>Instructions had been given to the Divisional Secretary in order to implement schemes which are possible to affect the people through obtaining consultancy</p>

by abandoned well located at Kavaththamunai in the Division of Koralaipattu West Divisional Secretariat. However, according to report on water quality issued by the National Water Supply and Drainage Board, this well water have more ammonia and there are opportunities to affect the public who use this water mostly by severe diarrhea, jaundice, stomach and intestine disease and kidney disease, etc. Therefore, expected outcomes of this project could not be obtained.

should be taken to supply drinking water to settled people in order to obtain benefits by the people properly.

from suitable technology experts. Action will be taken to implement schemes by avoiding occurrence of these types of errors in future.

3.1.4 Projects not achieved progress even though money was released

Audit Observation

A sum of Rs. 4,912,500 had been spent by the Ministry of Rural Economic Affairs and the Ministry of Women and Child Affairs in the years 2016 and 2017 respectively to construct two small garment factories in the area of Oddamavadi. However, these both garment factories had remained idle for over 02 years without being utilized for intended purposes.

Recommendation

Action should be taken to commence these both garment factories.

Comments of the Accounting Officer

Information on audit queries relating to construction of two garment factories in the area of Oddamavadi is being collected. Replies in respect of these queries will be sent you expeditiously.

3.2 Management Weaknesses

The following observations are made.

Audit Observations

- (i) No action had been taken to utilize the security cameras installed at a cost of Rs.

Recommendations

- Action should be taken to utilize the cameras which were installed for protecting

Comments of the Accounting Officer

- Video recordings of the office security cameras had not been used as a

280,058 for protecting physical resources of the office, monitoring activities of the office daily, collecting evidences and storing video recordings at the Divisional Secretariat, Kattankudy for over 03 years.

physical resources of the office, monitoring activities of the office daily, collecting evidences and storing.

document of confirming arrival and departure of the officers up to now.

(ii) No any disciplinary action had been taken against the officers who have misappropriated a sum of Rs. 161,600 in respect of issuing cooked food to the public who were affected by flood in the division of the Koralaipattu North Divisional Secretariat in the year 2018.

Disciplinary action should be taken against the officers who had misappropriated money, within the due period.

Officers who related to above activities had been subjected to inquiry and a charge sheet had been prepared based on it and sent to the authorities for proper actions.

4. Human Resources Management

The following observations are made.

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) As permanent officers had not been recruited for 81 vacant posts of Grama Niladhari, administration activities are at weak level in the Grama Niladhari divisions.	Action should be taken to recruit permanent officers for 81 vacant posts of Grama Niladhari.	Details of vacancies are being sent to the Ministry of Home Affairs, Provincial Councils and Local Government on Fridays weekly by email.
(ii) Action had not been taken by the District Secretariat to transfer excess staff of Assistant Planning Director existed in the District Secretariat to the vacant post of Assistant Planning Director existed in the Divisional Secretariat, Koralaipattu Center. As a result, planning activities of that Divisional Secretariat are at weak level.	Action should be taken to transfer excess staff of Planning Director existed in the District Secretariat to the Divisional Secretariat which has vacant.	Action is being taken to fill vacancies of the Divisional Secretariats by excess staff of Planning Officers.