

## **Head – 268 - District Secretariat, Kilinochchi**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the District Secretariat, Kilinochchi 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, Kilinochchi was issued to the Accounting Officers on 30 May 2020 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 24 June 2020 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the District Secretariat, Kilinochchi as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements**

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The Accounting Officer is 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 such internal control as

management 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, Kilinochchi 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.

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, Kilinochchi 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**

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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 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

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 and Regulatory Requirements**

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I express the following matters in accordance with Section 6(d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) The financial statements are reconciliation with the previous year
- (b) There was no requirement of preparation of financial statements by the District Secretariat for the preceding year, thus recommendations on financial statements had not been made.

## **1.6 Comments on Financial Statements**

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### **1.6.1 Non-compliance with Provisions in Circulars**

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Although the financial statements should have been prepared in accordance with the State Accounts Circular No. 271/2019 dated 03 December 2019, there were instances of non-compliance with that requirement as specified given below.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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According to the statement of financial performance, balance of non-current assets found to be Rs. 1,265,867,150. As per the treasury book the balance Rs. 1,264,194,405 was found. The difference between the statement of financial performance and treasury book is Rs. 1,672,745.	Balance of Cigas package's is correct. The Treasury has been asked to make adjustments in this regard.	All balances should be complied with when preparing and submitting financial statements.

## 1.6.2 Accounts Deficiencies

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### (a) Revenue Collection

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<b>Addition</b>		
Contrary to Paragraph 7 (ii) of State Accounts circular No. 271/2019 dated 03 December 2019 as shown in the statement of financial performance (ACA-1) the value of Rs. 111,719,283 has not been included in ACA-3 considering the accumulated income from other departments collecting revenue for the Revenue Accounting Officer as collection funds received from the Treasury.	Not shown in the relevant ACA-3 during the preparation of the financial statement. No such mistakes will be made in the future.	Financial Statement should be prepared as per the State Accounts circular.

### (b) Recurrent Expenditures

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
When comparing with 02 expenditure subjects under the recurrent expenditure statement of liabilities and obligations and net provisions, excess of Rs. 218,317 of net provision has been over statement of liabilities and obligations.	Action is being taken to rectify.	Expenditures should be made as per the provisions.

(c) **Capital Expenditures**  
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<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
Because of item of 05 capital expenditure total net provision of Rs. 184,100,000 and total expenditures Rs. 23,209,468 resulting in savings of capital expenditures Rs. 160,890,532. Since this saving was incurred impress deficit.	The savings are due to the unavailability of sufficient funds from the treasury.	According to the State Accounts circular, action should be taken.

(d) **Reconciliation statement on Advance to Public Officers Account**  
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<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
No action has been taken so far to recover the outstanding amount of Rs. 644,195 owed to resigned, dismissed and retired officers for more than 10 years as per the reconciliation statement submitted to the audit.	Documents have been sent to the Department of Public Finance for written off.	Action should be taken to recover the outstanding balance.

(e) **Deposits**  
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<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
(i) No action has been taken against the District Secretariat and the Divisional Secretariats for deposits amounting to Rs. 5,424,688 more than two years as per the Financial Regulation 571.	Steps are being taken to provide to the rightful owners or to transfer them to the State Revenue Account.	Action should be taken in terms of Financial Regulation 571.

- (ii) The amount of Rs. 2,151,030 provided by the National Water Supply and Drainage Board for the purchase of land for the National Water Supply Project in the Pachchilaipalli Divisional Secretariat in 2015 has not been used for the proper purpose for the last 4 years and has been kept in the deposit account till the end of the year. Payment has been made for the month of January. Action should be taken in terms of Financial Regulation 571.

**(f) Lack of Evidence**

Audit evidence had not been submitted in relating to the following transactions.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(i) Capital projects that have been shown to be paid on the statement of obligations and liabilities that the capital projects have been executed have not been submitted for the under review as the work completion commitment, work performance report, billing, etc. have not been submitted for audit. Payments for 03 capital works value of Rs. 13,939,386 could not be verified in the audit.	Payments have been made for 02 constructions works. Actions are being taken to provide the balance payments.	Expenditure vouchers and attachments should be submitted for audit.
(ii) 36 payments value of Rs. 3,428,251 by the Pachchilaipalli Divisional Secretariat, the payments could not be verified in the audit as the cash receipt, the payee's agreement and the purpose of the payment were not mentioned.	All mistakes have been adjustment. Such mistakes will not happen again in the future.	Audit evidence for payments should be attached.

**(g) Non- compliance with Laws, Rules and Regulations**  
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Instances of non-compliance with Law, Rules and Regulations observed at the audit test checks are analysed below.

		<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
	<b>Reference to Laws, Rules and Regulations</b> -----	<b>Value</b> ----- Rs.	<b>Non -compliance</b> -----	-----
(i)	State Accounts Circular No. 01/2012 dated 05 January 2012 of the Ministry of Financial Planning Section 3.2(iv)	2,000,000	Although it is stated in the scheme of awarding contracts directly to community based companies that sub-contract will not be awarded. Karaichchi Divisional Secretariat's Thiruvaiyaru Playground Road Project was handed over to a private contractor by the Thiruvaiyaru Rural Development Association.	The Rural Development Officer said that no documents were found for the sub-agreement. They are informed to act as per the circular as the relevant evidence for sub-contract awarding has been submitted for audit.
(ii)	Public Administration Circular No. 09/2009 dated 16th April 2009 Section (iv) and (v)	28,293	Holiday payments were made by the Pachchilaipalli Divisional Secretariat without fingerprint registration.	No more such mistakes in the future. Should act accordance with the circular.
(iii)	Establishment Code of the Democratic Socialist Republic of Sri Lanka. Section 5.8 of the Chapter XIX	52,000	The electricity bill for the utility Officer's quarters was to be paid by the officers but the outstanding electricity bill was paid into the District Secretariat fund.	Action has been taken to collect from the concerned officers. The outstanding electricity bill as per the Establishment Code should be collected from the concerned officer.
(iv)	Construction Industry Development Authority Guideline dated 02 January 2007.	368,929	Without completing Pallikooda Valarmathi harbour Contractor payments has been paid when paid contract	Action will be taken to calculate and deduct the financial losses incurred due to Should be act in accordance with the circular.

Section 11.1,11.3, 11.4  
of the General Provision  
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payment without deducted 20 per cent of unfinished contract works. termination of work in future.

**(h) Irregular Transaction**  
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The following observations are made.

	<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
(i)	According to Financial regulation 137, Proper approval has not been provided for payments value of Rs. 120,000 by the Pachchilaipalli Divisional Secretariat.	Approval has been obtained.	According to Financial Regulation 137, Approval should be obtained before payment can be made.
(ii)	According to Financial Regulation 138, amount of Rs.35, 000 Payments vouchers had not been certified by the Pachchilaipalli Divisional Secretariat.	The certificate of affidavit is confirmed.	Accordance to Financial Regulation 138, Certify should be obtained before payment can be made.

**2. Financial Management**  
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**2.1 Impress Management**  
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<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
During the year under review, Impress of Rs. 6,582,938 has been requested by the District Secretariat, but only Rs. 2,240,660,000 was received. Rs. 1,343,731,000 was not received during the financial year. Thus unable to make payments for the capital work completed an additional value of Rs.15,460,013 was shown in the accounts of liabilities and obligations.	The receipts in the stock have been shown in the liability due to the impress deficit during the financial year.	Actions should be taken that the impress is duly planned and received in due course.



## 2.2 Operations of Bank Accounts

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The following are the deficiencies found during the selection test conducted in connection with the operations of bank accounts.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Should be paid for the completion of the construction work of the Kandawala Divisional Secretariat building worth of Rs 8,757,467 two cheques have not been paid for the last 03 years. The unrealized cheques until the end of the year.	February 2020 has been transferred to the Government Revenue Account.	Should act in accordance with financial regulation.

## 2.3 Utilization of Provision Given by other Ministries and Departments

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The following observations are made while reviewing the projects undertaken under the Production Cooperative Project implemented under the funds of the Ministry of Resettlement Rehabilitation Northern Development and Hindu Affairs.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) <b>Appearance of Unutilisation/ ineffectiveness of assets project</b>		
An amount of Rs. 28,756,571 of buildings and Equipment provided to 04 Multipurpose Co-operative Societies has not been used for the relevant purposes for more than the last 01 to 02 years.	The responsibility for operating the production facilities rests with the respective Multipurpose co-operative societies. This has been brought to the notice of those concerned.	Action should be taken to use.
(b) Karachi North Multipurpose Cooperative Rice Mill Building Rehabilitation bid notes No. 09 and 12 was awarded Rs. 350,000 in addition to the value shown in the bid notices documents, Technical Evaluation Committee, procurement Committee decision.	Item 9, 12 is the pricing for an item mentioned in the component price. Therefore this payment is made.	The overpayment should be calculated and collected from the responsible officers.

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| (c) | An amount of Rs. 2,001,500 value of machinery for the operation of the Karachi North Multipurpose Cooperative society's rice mill has been purchased and supplied for last the more than 02 years but the infrastructure facilities have not been done and the equipment had not been unused.   | The project was funded on the basis that the additional requirements for the plant and the electricity connection would be provided by the concerned society.              | Infrastructure facilities should be considered in the implementation of such projects and appropriate actions should be taken to operate the rice mill. |
| (d) | Coconut dry machine worth of Rs. 1,468,000 has not been provided by the supplier to the Pachchillaipalli Multipurpose Co-operative Society for 04 months after the expiry of the supply period.   | The provider ISF has been advised to complete the supply as soon as possible.  | Immediate action should be taken in accordance with the contract agreement.   |
| (e) | According to the procurement guideline of 2006 section 5.4.8, Performance security should be received 10 per cent at the purchase of goods but during the equipment were purchases 5 percentages Rs. 552,574 only were received the performance security.   | Actions should be taken to obtain a performance security bond at the rate of 10 per cent in future.  | Should be act in accordance with the Procurement Guideline.   |
| (f) | Pachchilapalli Multipurpose cooperative societies oil manufacturing mill had not been requested the machineries and equipments by the society at the project expenditures in the project proposal, cost of Rs. 1,837,500 was purchased of machinery and has been provided, and machinery and equipment is found to be unnecessary and unused. | The procurement order now includes items that were reported to have been delivered in the past when the goods supply decision was obtained in connection with the project. | Appropriate action should be taken by the responsible officer and immediate action should be taken to use the equipment.                                |
| (g) | Equipment purchased and provided to Karachi, Pachchilapalli, Karachi South and Kilinochchi District Multipurpose Co-operative Societies for the production of rice mills, oil mills and organic fertilizer worth Rs. 15,043,033 through the Production Co-operative   | Procurements goods warranties and guidelines has been received from the suppliers and issued. Further some action has been taken.  | Immediate action should be taken as per the Procurement Guideline.  |

Project. According to the Procurement guideline of 2006 of section 8.12.13 (c), Warranty and Guide Lines Cately for the equipment and goods purchased have not been certified and the manual has not been provided to the supplier by the responsible officer.

- (h) According to the National Environmental Act No. 47 of 1980 section 23 (a) under order para (a) and Extraordinary Gazette No. 1533/16 of 25 January 2008 of the Democratic Socialist Republic of Sri Lanka, Environmental protection license has not been obtained. Building, machinery, vehicles were purchased for the production of organic fertilizer at a cost of Rs. 6,628,500 and public health care was not considered even when residential areas were found within 50 meters.
- The process of obtaining the relevant license is currently being carried out by the Karachi South MPC Society and further action will be taken in consultation with the Environment Authority.
- Action should be taken in accordance with the law.

**3. Operational Review**

**3.1 Projects Abandoned without Completing**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
In connection with the harbour deepening project by the District Secretariat, 02 projects worth Rs.4,660,303 have been contracted out and Rs. 1,650,585 was paid for the work carried out due to lack of equipment for the relevant project and the work was abandoned by the contractor.	The contractor has been selected on the recommendation of the Technical Evaluation Committee through the open tender.	Action should be taken approval as per the law and regulation. Also action should be taken as per the guideline of the Construction Industry Development Authority (CIDA).

**3.2 Delays in Completion of Projects**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although 3 projects worth Rs. 14,252,741 have been completed by the District Secretariat in December 2019, no work has been completed till the date of reporting.	02 Work Plan 75% of the work has been completed. Balance work is in progress.	All projects should be completed within the contract period.

**3.3 Other observation**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The number of 24,114 Samurdhi beneficiaries had increased in 2019 due to erroneous information shown in last year's performance report.	Families in poverty were identified and included in the plan.	The performance statement should be included relevant information.

### 3.4 Procurement

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Although mention as the procurement plan that 06 project under capital expenditure of Rs. 5,492,500 to be implemented through National Competitive tender notice for the year under review. But contract has been awarded directly to rural level institutions.	Contract work has been done through village level companies considering the value and duration of the program, despite the fact that it is being carried out through the national competitive bidding process. These will be considered in the future.	Should be act as per the procurement guide line.
(b) The construction work of the Skill Development Center well, which was completed in 2018 at a cost of Rs. 757,500, has been incorporated into the 2019 Procurement Plan.	Due to non-availability of allocations in 2018, the payment was made in the same manner as in the 2019 allocation.	Uncompleted works in procurement plan should be included in the next year's plan.
(c) Amounting of Rs.11, 595,798 of dryer and generator equipment were distributed to the Fruits and Vegetable Processing Factory of Vinayagapuram Farmers Co-operative Society contrary to the decision of the Procurement Committee and Technical Evaluation Committee.	The full procurement has not yet been achieved as technical certificate have not yet been issued and technical requirements have yet to be completed.	Machineries should be purchased as per the Technical Evaluation committee requirement.
(d) Value of 9.75 million fish drying equipment purchased for the fish processing plant implemented under the Production Cooperative Project. The power supply to the Kilinochchi district is 60 amperes due to the request of three power lines of 100 amperes for operation. The purchased machine has been inoperative for more than 01 year.	Due to financial constraints the requirement of the association requesting a separate trade networks to operate the factory from the Electricity Board.	Action should be taken to purchase of goods considering the infrastructure facilities and action should be taken to operate the machine.

### 3.5 Assets Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) The WPLO - 2978 water tanker and Lorry Bowser issued by the Ministry of Disaster Management to the Karachchi Divisional Secretariat in February 2019 for the drinking water supply project has not been used for 01 year.	There was no need to use the vehicle. There is no parking space at the Karachchi Divisional Secretariat.	Action should be taken to use.
(b) The number of 05 motor vehicles donated under the World Food Project in the District Secretariat warehouse but number of 05 motor vehicles ownerships has not been transferred to district secretariat for 03 years.	Action is being discussed as soon as possible.	Action should be taken to transfer ownership.
(c) 50 water tanks of 1000 liter capacity donated by the Ministry of Irrigation Water Supply and Disaster Management for the supply of drought water in 2018 and 40 water filters donated have not been used for more than one year.	Distributed on priority basis as required and the filtering machine will be delivered within a week.	Action should be taken to use.

### 3.6 Losses and Damages

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Although 05 projects carried out by the District Secretariat and the Divisional Secretariats have not been completed during the contract period, Rs.956,911 was due for delay payment but was not collected from the contractor.	Action has been carried out to rehabilitate the road and work could not be completed within the contract period due to lack of equipment to deepen the sea.	Action should be taken to recover the late penalty collection as per the contract agreement.
(b) 05 Vehicles under the District Secretariat were involved in accidents between 2012 and 2018 and were valued at Rs. 2,816,237 and only Rs. 1,194,675 insurance premium was received from the insurance company. No action has been taken as per the Financial Regulation no. 104 (4) regarding financial loss of Rs. 1,621,562. As well as no losses were shown in the review financial statements.	Continuing action is being taken.	Action should be taken to act as per the Financial Regulation.

### 3.7 Management Inefficiencies

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Advance of Rs. 3.42 million issued to 03 Multipurpose Co-operative Societies in Kilinochchi District for purchase of paddy has not been settled for more than 7 years.	Instructed to complete payment on monthly basis.	Immediate action should be taken to settle advance arrears.

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| (b) | Rs. 220,875 was paid by the District Secretariat in the review year for the arbitral award for the payment to be made to the contractor in connection with the construction work of the Kandawala Divisional Secretariat. Rs. 8,236,594 to should be paid to the contractor for 03 years has been transferred into income for the State Revenue head on 17th February 2020 as the arbitral award has not been finalized. | The cheques have been transferred to the State Revenue Account due to the delay in the case for arbitral award. | Action should be taken in accordance with the arbitral award. |
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#### 4. Achievement of Sustainable Development Goals

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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Targets for sustainable development goals identified by the District Secretariat have not been prepared until 30 April 2020.	Presently prepared.	Sustainable development goals should be prepared.

#### 5. Good Governance

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##### 5.1 Fulfillments of Services to the Public

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) According to Circular No. 2017/5 dated 07 April 2017 of Samurdhi Community Based Bank by Samurdhi Development Department, value of Rs.662,194 of 66 cylinders and 116 vouchers for the purchase of LP Gas cylinder block for the members of the bank gifts are not given to the beneficiaries but are taken by the officials themselves.	Action has been taken to recover.	Action should be taken as per the Establishment Code.



- (b) No appeal report has been filed by the District Secretariat till 22nd May 2020 for the information appealed in 02 instances in 2019 under the Right to Information Act. Information has been provided to the appellants as per the Right to Information Act. Action should be taken in accordance with the law.

**6. Human Resource Management**  
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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) According to Public Administration Circular No. 18/2001 dated 22 <sup>nd</sup> August 2001 the maximum period of service at each service station is 05 years. 46 officers working in the District Secretariat have been continuously on duty in the same service station for 06 to 21 years.	Action is being taken.	Action should be taken as per the circular.
(b) No action has been taken to recruit for 76 vacancies.	Action is being taken.	Action should be taken to fill the vacancies.