

Head 270 - District Secretariat Ampara

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Ampara for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 Ampara was issued to the Accounting Officer on 27 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 Ampara was issued to the Accounting Officer on 27 May 2019 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 give a true and fair view of the District Secretariat, Ampara as at 31 December 2018 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 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 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 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.

1.5 Report on Other Legal Requirements

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

- i. As there was no need for the prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- ii. Further, due to that reason, the recommendations for the financial statements of the District Secretariat of preceding year had not been furnished in this report.

1.6 Comments on Financial Statements

1.6.1 Non-compliance with the provisions of Financial Statement Circulars

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>According to the Asset Management Circulars of the Ministry of Finance and Mass Media No.1/2017 dated 28 June 2017, accounting for all Government non-financial assets before 31 July 2017 was mandatory.</p> <p>However, the ACA 6 format presented in the accompanying financial statements shows that the value of non-financial assets is Rs.704.26 million, it was shown in the financial statements as Rs. Million 255.79. The reasons for the above difference was inclusion of only 1,465 assets items of Rs.million 231.74 relating to Ampara District Secretariat and assets of Rs. million 24.03 relating to Ampara Divisional Secretariat.</p>	<p>Immediate action should be taken to properly account for all the assets of the District Secretariat as per the circular.</p>	<p>The Cigass program included only items that recognized the value of the asset, and, all vehicle has been accounted up to now.</p>

1.6.2 Statement of Financial Position

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The buildings belonging to 5 Divisional Secretariats was not assessed and accounted for.	All lands and buildings in all Divisional Secretariats supervised by the District Secretariat should be assessed and accounted for.	It was requested from the Department of Valuation to give valuation of buildings, the buildings have not been included as their valuation has not yet been assessed. The Valuation Department visited this office on 15 July 2019 and the report is due to be submitted.
(b) Lands belonging to 15 Divisional Secretariats were not assessed and accounted for.	All lands and buildings belonging to Divisional Secretariats should be assessed and accounted for.	The Valuation Department visited this office on 15 July 2019 and the report is due to be submitted.
(c) The value of assets as at 01 January 2018 according to the form of ACA 6 relating to non-financial assets presented in the financial statements was Rs.million 680.14. But at 31 December 2017, that value was Rs. million 74.99. Accordingly, there was no confirmation of whether the assets as at 31 December 2017 were assessed for 2018.	When preparation of the accounts for the year under review, the account balance should be updated by making adjustments to the opening balances.	A statement of financial position was not prepared in the preparation of past accounts. Therefore, the importance of this was incorporated in the year 2018 so that action had been taken to correctly point out in the account. This value change has been caused by a weakness in the Assets Inventories System. Action has been taken in the year 2018 to remedy this by Common-122. (Documents on this have been submitted to you during the audit.). So after 2018, the asset account was corrected. Therefore, I would kindly inform you that there will be no such problems in the future.
(d) Although the assets have not been disposed or destroyed during the year, assets valued at Rs.26,316,881 were stated in the financial statement (ACA 6) as sales.	When submitting financial statements, reports must be made in the prescribed format.	If something goes wrong with inserting an asset into a computer (Cigass), to correct this program has to be referred to as a sale or destruction. In fact, it is a weakness in the Cigass program.

1.6.3 Non-maintenance of registers and books

It was observed during the audit test checks that the following registers were not maintained by the District Secretariat.

Audit Observation	Recommendation	Comments of the Accounting Officer
Register of Securities		
According to the Financial Regulation 891 (1) a security register including the details of the officers and workers who should deposit security deposits should be maintained, but action had not been done so relating to 53 officers.	Action should be taken according to the Financial Regulation 891 (1) to maintain a security register including the details of the officers and workers who should deposit security deposits.	At the Meeting of Accountants held on 08 August 2019, it was re-directed and it has been informed to report the progress.
Register of Electrical Equipment		
An electronic equipment register was required to be maintained in accordance with Financial Regulations 454 (2).	It should be maintain a register of inventory for all electrical components and equipment in government buildings as per Financial Regulation 454 (2).	- Do -
Register of Liabilities		
A liability register must be maintained in accordance with Financial Regulations 214, although a register of liabilities should be maintained by the Divisional Secretariats, it had not been so done.	The liabilities should be recorded in a liability register so that liabilities can be regularly checked in terms of financial regulation.	- Do -
Register of Losses		
Although a Register of Losses was required to be maintained in terms of the Financial Regulations 110, the Divisional		- Do -

Secretariats had not been maintained such Register of Losses. A Register of Losses should be maintained in accordance with the specimen under Section 110 of the Financial Regulations.

1.6.4 Improper Transactions

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>The Rehabilitation Authority under the purview of the Ministry of Prison Reforms had implemented a program to develop Thangavelayudapuram and Kanchikudiaru villages in the Thirukkivil Divisional Secretariat in 2014. When Payment of beneficiaries to construct under this scheme, though a sum of Rs.200,000 over paid to a beneficiary, It was observed that the officers responsible had not fulfilled their duties properly.</p>	<p>It should be comply with the provisions of the Financial Regulations 136, 137, 138 and 139 and with the principles of Management.</p>	<p>A sum of Rs.200,000 have been released to the Tirukkivil People's Bank Account in three phases to build a house for the beneficiary, N. Maheswaran. A sum of Rs.200,000 had been paid again for the supplied services as he has been registered with the Divisional Secretariat as a supplier of the above projects.</p>

2 Financial Review

2.1 Deposit Balances

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Even though a sum of Rs.2,108,443 had been deposited in the deposit account which were recovered in the years 2017 and 2018 for Value Added Tax and Withholding Tax, No action</p>	<p>It should be comply with the provisions of the relevant Acts relating to Value Added Tax and Withholding Tax</p>	<p>The VAT amount shown in the deposit account for the years 2017 and 2018, since the relevant Inland Revenue License has not been submitted, the remittance amount is kept in the deposit account as a</p>

has yet been taken on that amount. collected in respect of any transaction. remittance for unpaid work. If the relevant license is not issued, the contractor has been informed orally and in writing that this amount will be taken to the State Revenue.

3. Operational Review

3.1 Failure to Achieve Desired Output Levels

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Damana Divisional Secretariat has signed agreements to implement the “Deyata Kirula” Development Projects such as,</p> <ul style="list-style-type: none"> i. Filling the Thimbrigolla Pannalgama road with soil and concrete the top part of the rock. ii. Construction of Pannalgama 1C playground iii. Construction of side wall and filling of soil along the Damana Bakmitiyawa road. (near 4km post) iv. Construction of side wall, filling of soil and construction of the bridge on the Pannalgama Bakmitiyawa road. v. Construction of the retaining wall and filling of soil along the damba tree along the Bakmitiyawa road. <p>It was observed that Rs.6,512,909 had been misused during the implementation of the those 5 projects.</p>	<p>Allocations made for the implementation of development programs should be utilized to enable the people of the area to get the maximum benefit.</p>	<p>According to the reports of the Technical Officer of the Damana Pradeshiya Sabha, payments for these projects have been made from time to time by the then officers of the Divisional Secretariat. However, After reporting the problems with regard to project completion the matters were investigated. The Chief Engineer of this office obtained the reports. Those reports have been submitted to you before. The Police Special Criminal Investigation Division is conducting further investigations and I kindly inform that they have taken over the relevant files for further investigation.</p>

3.2 Assets Management

Audit Observation

The Small and Medium Scale Industrial Development Unit of the Ministry of Industry and Commerce has initiated a project to set up small scale apparel industries to empower women economically. Accordingly, the sewing machines and equipment amounting to Rs.19,525,600 provided to 08 Divisional Secretariats in the Ampara District in the year 2017 were idled even by 11 February 2019.

Recommendation

Should be utilized to achieve the maximum return expected from all assets.

Comments of the Accounting Officer

This situation had arisen due to the lack of proper instructions from the relevant ministries. Although the Ministry has given instructions to keep the small garment factories up to date, due to the beneficiaries expressed their unwillingness to work with the unions, causing problems in implementation.

3.3 Loss and Damage

Audit Observation

Even though nothing was reported under the Loss and Damage Report, it was observed that there was a loss of Rs. 122,364 in the accident which occurred to vehicle No. EP-PD-2681 belonging to the District Secretariat.

Recommendation

It should be report accurate information pertaining to the District Secretariat in the reports submitted with the financial statements.

Comments of the Accounting Officer

Action has been taken to write-off the loss from books as per the letter No. F/DA/07/WR115/002 dated 10 July 2019 from the Secretary to the Ministry of Internal and Home Affairs.