

## Head 264 – District Secretariat, Jaffna

---

### 1. Financial Statements

---

#### 1.1 Qualified Opinion

---

The audit of the financial statements of the District Secretariat, Jaffna for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 including my comments and observations on the financial statements of the District Secretariat, Jaffna was issued to the Accounting Officer on 21 June 2021 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the District Secretariat in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 30 July 2021. This report will be presented 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 Paragraph 1.6 of this report, the financial statements of the District Secretariat, Jaffna give a true and fair view of the financial position of the District Secretariat as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

---

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit 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 the Accounting Officer for the Financial Statements

---

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16 (1) of the National Audit Act, No. 19 of 2018, the District Secretariat is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the District Secretariat.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the District Secretariat and carry out periodic reviews to monitor the effectiveness of such system 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

---

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 the report of the Auditor General that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Secretariat's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### 1.5 Report on Other Legal and Regulatory Requirements

---

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

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

| Reference to the Paragraph | Audit Observation   | Recommendation                          |
|----------------------------|---|---|
| 1.6.1 (c) (ii)             | The building of the Divisional Secretariat, Karainagar, had been built on a private land by | Action should be taken to vest the land |

incurring Rs. 58 million. A sum of Rs. 02 million in the Government. had been shown as the value of the said land under non-current assets in the financial statements. However, action had not been taken even up to 30 June 2020 to take over the land.

1.6 Comments on Financial Statements  
-----

1.6.1 Statement of Financial Position  
-----

| Audit Observation<br>-----  | Comment of the<br>Accounting Officer<br>-----                 | Recommendation<br>-----  |
|---|---|--|
| (a) The building of the Divisional Secretariat, Valikamam North had been built on a private land by incurring a sum of Rs.56,023,874. Action had not been taken up to 31 March 2021 to take over the land, and the value of the land had not been disclosed in the statement of financial position. | The replies are not relevant to the observation.              | Value of the land should be disclosed in the statement of financial position, and the land should be taken over. |
| (b) Value of the land belonging to the Divisional Secretariat, Vadamarachchi South West, had been understated less than the assessed value by a sum of Rs.31,500,000 and shown under non-current assets in the statement of financial position  | An error occurred in the data entry process. Corrected later. | Errors should be avoided during data entry.  |

1.6.2 Non-maintenance of Registers and Books  
-----

It was observed during audit test checks that the District Secretariat had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

| Audit Observation<br>-----   | Comment of the<br>Accounting Officer<br>----- | Recommendation<br>-----  |
|--|---|--|
| (a) The register of securities including information on the officers and employees who should give securities in terms of Financial Regulation 891(1), had not been maintained in an updated manner. | Being maintained.                             | The register of securities including information on officers who should give securities in terms of Financial Regulation 891(1), should be maintained. |

|  |   |   |
|--|---|---|
| (b) Contrary to Financial Regulation 454(2), a register of electrical fittings had not been maintained in updated manner over the preceding 08 years.  | Action will be taken to maintain such a register.   | As mentioned in Financial Regulation 454(2), a register should be maintained by including all the electrical fittings in Government buildings.      |
| (c) A register of losses had not been maintained in accordance with the format given in Financial Regulation 110.  | Being maintained by the stores welfare branch.  | The register of losses should be maintained in accordance with the format given in Financial Regulation 110.  |
| (d) The Secretary of the Committee had not maintained an updated register of attendance during the 08 preceding years contrary to Guideline 2.11.1 of the Government Procurement Guidelines. | The register of attendance is being maintained and updated by the Procurement Division.       | The Secretary of the Committee should maintain a register of attendance in terms of Guideline 2.11.2 of the Government Procurement Guidelines.      |
| (e) A register of calling for bids had not been maintained in an updated manner over the 08 preceding years.   | The register of calling for bids is being maintained and updated by the Procurement Division. | The Secretary of the Committee should maintain a register of calling for bids in terms of Guideline 8.2.1 of the Government Procurement Guidelines. |

### 1.6.3 Lack of Evidence for Audit

-----  
Audit evidence had not been furnished with respect to the following transactions.

| Audit Observation<br>-----   | Comment of the<br>Accounting Officer<br>-----   | Recommendation<br>-----   |
|--|---|---|
| (a) The Divisional Secretariat, Thenmarachchi had spent a sum of Rs. 4,426,983 on a programme implemented to clear the resettlement areas, but documents had not been made available to verify the accuracy of those payments. | Initial documents had been annexed to the payment vouchers, but certain documents had not been annexed. Corrective measures are being taken in this connection. | Verifiable documents should be furnished along with the payment vouchers. |

- (b) With no documents presented for verification, the Divisional Secretariat, Jaffna had made payments totaling Rs.12,370,862 with respect to 56 vouchers. Copies of verifiable documents have been annexed herewith. - Do.

2. Financial Review

2.1 Management of Imprests

| Audit Observation   | Comment of the Accounting Officer   | Recommendation                             |
|---|---|--|
| As imprests totaling Rs.136,775,045 had not been received from the Treasury, the District Secretariat could not utilize the provision made by Parliament and complete the scheduled projects. | The amount could not be obtained in full as delays had occurred in releasing funds by the Treasury. | Prioritization of activities is necessary. |

2.2 Management of Expenditure

| Audit Observation   | Comment of the Accounting Officer  | Recommendation                                       |
|---|--|--|
| A sum of Rs. 6,880,000 had been transferred to 05 Objects from other Objects. The sums so transferred represented 10-58 per cent of the provision made for each of those Objects. | As certain Objects had been productively controlled due to Covid-19, thus resulting in the savings. As such, those savings had been transferred to other Objects on purpose. | Estimates on expenditure should be properly planned. |

2.3 Utilization of Provision Given by Other Ministries and Departments

| Audit Observation  | Comment of the Accounting Officer   | Recommendation  |
|--|---|---|
| As capital provision made by 10 other Ministries and Department during the year under review had not been utilized as proposed, savings totaling Rs. 184,701,364 had occurred representing 6 – 85 per cent of those provision. | Those provision could not be utilized due to reasons such as, delays in issuing imprests by the Treasury, and provision had been released by certain Ministries at the end of the year. | Capital expenses should be estimated properly, and provision should be utilized productively. |

## 2.4 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliances with provisions of Laws, Rules and Regulations observed in audit test checks are analyzed below.

| Reference to Laws, Rules, and Regulations                                    | Value     | Non-compliance   | Comment of the Accounting Officer   | Recommendation  |
|--|-----------|--|---|---|
| -----  | -----     | -----  | -----   | -----   |
|  | Rs.       |  |   |   |
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. |           |  |   |   |
| (i) Financial Regulation 113.  | 2,076,809 | The possibility of writing off the balances continued to exist in the register of damages over 19-33 years, had not been taken into consideration.                     | Will be settled once necessary approval is received in terms of Public Finance Circular, No. 01/2020. | Financial Regulation 113 should be followed.                    |
| (ii) Financial Regulations 137, 138, 237 (a) (i).                            | 8,615,147 | As for payments made by the Divisional Secretariats, Jaffna and Thenmarachchi, payment vouchers for which verifiable documents had not been presented, were certified. | Has been corrected at present by annexing the supporting documents.                                   | Financial Regulations 137, 138, 237 (a) (i) should be followed. |

|       |                                   |            |  |   |  |
|-------|-----------------------------------|------------|--|---|--|
| (iii) | Financial Regulation 137 and 138. | 23,062,785 | The District Secretariat and 05 Divisional Secretariats had written 64 cheques and retained at the offices prior to obtaining goods and services.                                | Those cheques had been retained until goods would be supplied again as replacements for the defective goods already supplied, and the supply of certain goods had been delayed. Only 10 cheques remain to be settled. | Financial Regulations 137 and 138 should be followed.    |
| (iv)  | Financial Regulation 260(1), (2). | 118,899    | Without making payments to the payee or his legal representative, the Divisional Secretariat, Jaffna had written cheques to the Accountant of that office.                       | Explanations were obtained from the officers responsible for violating the normal procedure.  | The Financial Regulation 260(1), (2) should be followed. |
| (v)   | Financial Regulation 386(5).      | 16,204,512 | Having been implied by the District Secretariat and 04 Divisional Secretariats that cheques had been issued relating to miscellaneous payments, those cheques had been retained. | Although the preliminary documents had been received, the cheques had not been signed until the receipt of supporting documents as well.  | The Financial Regulation 386(5) should be followed.      |

|  |  |  |   |
|--|--|--|---|
| (b) Circular, No. 250,000/08/2019 of the Ministry of Home Affairs. | The Divisional Secretariats of Delft South and Jaffna had added the entertainment expenses to the salaries of employees as monthly allowances. | Instructions have been given that the payments on entertainment expenses be reimbursed through vouchers. | The relevant Circular should be followed. |
|--|--|--|---|

2.5 Irregular Transactions

-----  
The following observations are made.

(a) Unapproved Transactions

| Audit Observation  | Comment of the Accounting Officer                                   | Recommendation                                   |
|--|---|--|
| -----  | -----   | -----  |
| Contrary to Financial Regulation 137, the Divisional Secretariats of Jaffna and Valikamam had taken action to make payments on unapproved vouchers valued at Rs. 18,236,564. | This has been corrected, and the copies have been annexed herewith. | The Financial Regulation 137 should be followed. |

(b) Uncertified Transactions

| Audit Observation  | Comment of the Accounting Officer  | Recommendation  |
|--|--|---|
| -----  | -----  | -----   |
| Contrary to Financial Regulation 138 and 257, the Divisional Secretariats of Jaffna and Vadamarachchi had taken action to make payments on uncertified vouchers valued at Rs.15,383,662. | Delays had occurred in furnishing the supporting documents due to inclement weather and Covid-19 pandemic. This has been corrected at present. | The Financial Regulations 138 and 257 should be followed. |



## 2.6 Transactions of Fraudulent Nature

| Audit Observation   | Comment of the Accounting Officer   | Recommendation  |
|---|---|---|
| No investigations had been conducted on the financial fraud of Rs. 280,000 committed after being stated that sums of Rs. 5,000 had been provided for each of the 56 beneficiaries in the division of the Divisional Secretariat, Thenmarachchi. | The Samurdhi Development Officer has been interdicted, and the other officers responsible have been warned and transferred. Action is being taken to recover the monies from the relevant officers. | An effective internal control system should be established to achieve frauds. |

## 2.7 Reconciliation Statement on the Advances to Public Officers Account

| Audit Observation   | Comment of the Accounting Officer  | Recommendation  |
|---|--|---|
| According to the Advances to Public Officers Account, a sum of Rs. 708,549 pertaining to retired, deceased or interdicted officers remained due over a period ranging from 03 months to 02 years as at 31 December 2020. However, action had not taken to recover that sum in terms of Section 04 of Chapter XXIV of the Establishments Code. | One of the outstanding balances is being recovered monthly from the guarantor. | Outstanding balances should be recovered without delay. |

## 2.8 Deposits

The following observations are made.

| Audit Observation   | Comment of the Accounting Officer                             | Recommendation  |
|---|---|---|
| (a) A sum of Rs. 486,989 received by 02 Divisional Secretariats for implementing miscellaneous projects remain in the deposit account over a period of 02 years. Action had not been taken either to return the monies or credit to the revenue in case the relevant projects | Action has been taken to settle those deposits without delay. | Action should be taken to promptly settle the deposit balances. |

had been completed. A sum of Rs.13,458,697 received in respect of a certain project had been retained in the deposit account of the District Secretariat over a period of 03 years without being properly utilized.

- (b) The refundable deposit of Rs.2,206,004 relating to the contracts had remained unsettled over a period of 02 years contrary to Financial Regulation 571; instead, those monies had been retained in the deposit accounts maintained by the District Secretariat and 02 Divisional Secretariats.
- Of those deposits, a balance of Rs. 550,937 has been settled. Action has been taken to settle the other deposits.
- Effective measures should be taken in terms of Financial Regulation 571.

## 2.9 Operating Bank Accounts

-----

| Audit Observation<br>-----  | Comment of the Accounting Officer<br>-----   | Recommendation<br>-----                               |
|---|--|---|
| The District Secretariat and 02 Divisional Secretariats had not taken action in terms of Financial Regulations 391 and 396 on cheques valued at Rs.5,891,523 that had remained uncashed over a period of 06 months. | Cheques had not been given as the capital works had not been completed. Cheques will be issued once the works are completed. | Financial Regulations 391 and 396 should be followed. |

## 3. Operating Review

-----

### 3.1 Failure to Achieve the Expected Outcome

-----

The following observations are made.

| Audit Observation<br>-----   | Comment of the Accounting Officer<br>-----   | Recommendation<br>-----   |
|--|--|---|
| (a) The Batch Pasteurizer purchased at the value of Rs. 1,336,300 and given to a yoghurt manufacturer in the Divisional Secretariat, Nallur under the programme for establishing 50 small factories, | The main spare parts required for the machine have not been provided by the suppliers thus far, thus the machine remains non-functional. The | An inquiry should be held with respect to the purchase of a machine for which spare parts were not available. |

remained non-functional over a period of one year. machine will be restored as soon as the spare parts are received.

- |     |  |  |  |
|-----|--|--|--|
| (b) | A number of 152 fishing nets worth Rs. 690,849 received in the year 2017 in order to be granted to the fisher folks, had been retained by the Divisional Secretariat, Vadamarachchi over a period of 03 years. | It was informed that those fishing nets were suitable for being used in the deep seas. Hence, the District Secretariat is taking action to distribute the fishing nets among suitable beneficiaries. | The requirement should be properly identified before purchasing. Idle assets should be made use of properly. |
|-----|--|--|--|

### 3.2 Delays in the Execution of Projects

-----  
The following observations are made.

| Audit Observation  | Comment of the<br>Accounting Officer  | Recommendation  |
|--|---|---|
| -----  | -----   | -----   |
| (a) Eleven projects implemented by the District Secretariat, Jaffna and 03 Divisional Secretariats, had not been completed on time. However, penalties for delay totaling Rs. 1,260,469 had not been recovered from the contractors in terms of the agreement.             | Certain projects could not be completed within the specified duration due to reasons such as, Covid-19 pandemic, and ground water level taking time to recede owing to climatic changes. However, the contractor was informed that those monies be paid directly or settled from the retention monies. Furthermore, action has been taken to recover a certain amount from the penalties for delay. | Action should be taken to complete the projects on time and recover the penalties for delay as per the agreement in case of projects being delayed.         |
| (b) A sum of Rs. 425,626 had been paid by the Divisional Secretariat, Thenmarachchi for planting seeds in order to provide plants for the national programme to plant trees in the year 2019. However, plants had not been received even after 15 months as of March 2021. | This project could not be completed on time due to reasons such as isolation of areas, and climatic changes. Corrective measures will be taken soon.  | Attention should be brought to complete the programs within the specified duration. Effective measures should be taken to successfully implement the plans. |

- |     |  |   |   |
|-----|--|---|---|
| (c) | A sum totaling Rs. 30,388,000 had been paid on 03 projects under the programme to establish 50 small factories, but none had been established.   | The project could not be implemented due to lack of experience. As the funds received had been credited to the Government revenue, it is informed that no financial loss had occurred.  | An evaluation on the human resources should be done prior to implementing a project.  |
| (d) | The Divisional Secretariats had not properly evaluated as to whether the rural associations had been fully equipped with physical and human resources sufficient for carrying out construction works. For instance, contracts valued at Rs.11,249,000 had been awarded to 06 rural associations by 03 Divisional Secretariats, but those works had not been completed as per the estimates even by 31 December 2020. | Skills and experience of the contractors had been verified. Nevertheless, those contracts could not be completed within the specified duration due to unavoidable circumstances and lack of time. Corrective measures have already been taken in that connection. | Prior to awarding contracts, it is necessary to verify as to whether the contractor possesses the required physical and human resources. Action should be taken to recover penalties for delay. |
| (e) | Works of 04 projects implemented under the programme for establishing 50 small factories, had not been completed even after 04 years. However, the possibility of crediting the value of performance bonds relating to those contracts totaling Rs.3,756,250, to the Government revenue, had not been considered.  | The relevant supporting documents have been attached herewith.  | The performance bonds should be encashed and credited to the Government revenue within the specified period.  |

### 3.3 Securities of the Public Officers

-----

| Audit Observation  | Comment of the Accounting Officer   | Recommendation  |
|--|---|---|
| Four officers employed at 04 Divisional Secretariats who should have given securities, had not given securities or the securities given were less than the required amount contrary to Financial Regulation 880. | The officers who had given securities less or refrained from giving securities, have taken action to give securities properly. Action is being taken in terms of Financial Regulation 881 against the officers delaying to give securities. | Action should be taken to give securities in terms of Financial Regulation 880. |

### 3.4 Losses and Damages

The following observations are made.

| Audit Observation   | Comment of the Accounting Officer  | Recommendation  |
|---|--|---|
| <p>(a) An overpayment of Rs. 58,270 had been made relating to a certain construction under the “Sapiri Gamak” programme implemented by the Divisional Secretariat, Vadamarachchi.</p>   | <p>Action has been taken by the Department of Agrarian Development to complete the project by recovering the relevant sum.</p>   | <p>The overpaid amount should be recovered.</p>   |
| <p>(b) The cost estimated for the construction of post office and official quarters of the Postmaster in Chunnagam, totaled Rs. 16,881,625. Two of the lowest bidders had refused to agree with the terms and conditions. Instead of making procurements again, the procurement had been awarded to a bidder who had not been recommended by the Technical Evaluation Committee. Following his failure in completing the activities, the agreement had been terminated on 31 December 2019 under the consent of both parties subject to making payments only for the activities done.</p> <p>The following matters are observed.</p> <p>(i) Although the project had not been completed in accordance with the agreement, the District Secretariat had not taken action to recover the penalty for delay totaling Rs. 1,668,162 from the contractor and retain the performance bond of Rs.845,000.</p> <p>(ii) When making payments for certified works in accordance with #60.1 of Contract Data in the agreement, action had not been taken to recover a sum of</p> | <p>Due to reasons such as, the received provision had to be returned, non-execution of general welfare activities, and lack of time for new procurements, the contract had been awarded to a lowest bidder. As the contract had been terminated on 31 December 2019 under consent of both parties, there existed no necessity to refund the performance bond. Payments had been made only for the works done.</p> <p>The said sum had not been recovered as the agreement had been terminated under consent of both parties.</p> | <p>The activities such as, selection of the contractor, recovery of penalties for delay in terms of the agreement, and evaluating the skills and experience of the contractors before being selected, should be done in terms of the Procurement Guidelines.</p> <p>The consent of both parties remained unclear in audit. Action should be taken in accordance with Contract Data 60.1</p> |

Rs. 1,169,074 equivalent to 25 per cent of the works not done.

to recover the relevant monies.

- (c) Part of the damage caused to a vehicle belonging to the Divisional Secretariat, Delft North, had been reimbursed. However, action had not been taken on the sum of Rs. 494,096 being the damage that could not be reimbursed.
- The said Divisional Secretariat is taking further action in this regard.
- Provisions given under Financial Regulations 104-110 should be followed. Liability for the non-reimbursed amount should be determined. The balance of the loss should be disclosed in the financial statements.

### 3.5 Operating Inefficiencies

| Audit Observation   | Comment of the Accounting Officer  | Recommendation   |
|---|--|--|
| (a) Cheques issued by the District Secretariat and 05 Divisional Secretariats had not been handed over to the payee; instead, the officers in charge of the subject relating to cheques had accepted those cheques.   | The officers in charge of the subject had taken the cheques with the objective of providing them for the payees without delay. | Action should be taken to hand over the cheques to the payees. |
| (b) As for the payments totaling Rs.448,723 made in cash by the Divisional Secretariat-Jaffna, a cheque had been encashed by the Accountant thereby personally making payments to the payees, and such payments had not been recorded in the payment register maintained by the Shroff. | Could not be recorded in the Shoroff's register by mistake, but corrective measures were taken later.                          | Payments made in cash should be recorded in the said register. |

### 4. Human Resource Management

| Audit Observation   | Comment of the Accounting Officer  | Recommendation   |
|---|--|--|
| The approved cadre was 1447 and 194 vacancies existed with 04 posts in excess as at 31 December 2020. | Accepted.<br>Two of the 04 excess officers perform their duties on the basis of "performing duties until being employed". One of them had been transferred in the year 2021. Requests had been made as per Financial Regulation 71 to revise the approved cadre in respect of the other officer. | Considering the service requirements, action should be taken to fill the vacancies whilst attaching the excess officers efficiently. |