

## **Head 267 – Mullaitivu District Secretariat**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statement of the District Secretariat, Mullaitivu for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and statement of financial performance and cash flow statements 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 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, Mullaitivu was issued to the Accounting Officer on 22 June 2021. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report was issued on 26 July 2021 to the Accounting Officer. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 give a true and fair view of the financial position of the District Secretariat, Mullaitivu as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Audit 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 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 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 determine 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 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 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 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 skepticism 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 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 Requirements

-----

As required by Section 6 (1) (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) Recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on the Financial Statements

-----

### 1.6.1 Statement of Financial Position

-----

The following matters were observed.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) According to the ACA-5 Format submitted along with the financial statements, a sum of Rs.225,840 had been overstated as advance receipts according to the statement of financial performance exceeding the advance received during the year under review.	The Department of Samurdhi had incurred direct expenditure. Measures have been taken for rectification thereon.	Financial statements should be accurately prepared.
(b) Constructions of the District Secretariat premises which should have been completed by the end of the year, had not been completed accordingly. However, capital expenditure had been overstated by Rs.10,389,739 in the financial statements due to writing of cheques therefor and retaining them in hand.	Activities had not been completed within the due period as a result of unfavourable weather. Payments have been presently made after completing activities.	The certified value of completed activities should be brought to account while payments should be made only for completed activities.
(c) The balance of non-current assets had been understated by Rs.17,532,651 in the statement of financial position than the balance of the said assets as at 31 December 2020 according to Treasury books.	Action will be taken for rectification.	Action should be taken to rectify the differences.

**2. Financial Review**

**2.1 Non-compliance with Laws, Rules and Regulations**

Instances of non-compliance with laws, rules, regulations etc. observed during audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Audit Observation		Comments of the Accounting Officer	Recommendation
	Value	Non-compliance		
	Rs.			
(a) <b>Public Administration Circular</b>				
(i) Circular No.11/2006 of 14 July 2006	141,055	Additional fuel for allocated vehicles had been obtained by fuel orders.	Instructions have been given to take action in terms of the Public Administration Circular.	Action should be taken in terms of the Public Administration Circular.
(ii) Circular No.09/2009 of 16 April 2009	97,305	Overtime has been paid without confirming arrival and departure through the finger scanner.	Instructions have been given to take action in terms of the Public Administration Circular.	-do-
(b) Guideline 5.4.4 (ii) of the Government Procurement Guidelines - 2006	5,980,400	Advances had been paid to 35 rural organizations exceeding the approved limit of Rs.200,000.	Instructions have been given to follow the Procurement Procedure and Guidelines.	Action should be taken in terms of the Procurement Guidelines.

## 2.2 Irregular Transactions

### Unapproved Transactions

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Payments had been made by the Divisional Secretariats of Pudukudiyirippu and Oddusudan without approval of Financial Regulation 137, which should be obtained for 08 vouchers amounting to Rs.3,256,460.	Has been rectified presently.	Action should be taken in terms of Financial Regulations.

## 2.3 Reconciliation Statement on Advances to Public Officers Account

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Effective measures had not been taken during the past 05 to 26 years in terms of Section 4 of Chapter XXIV of the Establishments Code for the recovery of staff loans totaling Rs.321,560 relating to officers suspended of service,  retired and left the service and deceased.	Outstanding loans of two officers are being recovered and particulars have been forwarded to the relevant Ministry and the Treasury relating to loan balances of other officers.	Steps should be taken to recover outstanding loans within the due period.

## 2.4 Payment and Settlement of other Advances

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
An advance of Rs.17,929,775 granted in the years 2014 and 2015 to 02 Multi-purpose Co-operative Societies for purchase of paddy had not been settled over a period of 05 years.	Activities on recovery is being carried out continuously.	Action should be taken to recover without delay.

## 2.5 Deposit Balances

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
Even though a contract of which constructions were neglected, had been cancelled, the retention monies amounting to Rs.1,458,504 obtained in the year 2018 for the said contract had not been credited to the revenue. Moreover, steps had not been taken up to now to settle a sum of Rs.1,800,000 received in the year 2017 for purchase of paddy.	Imprests had not been received for deposits.	Action should be taken in terms of Financial Regulations.

## 3. Operating Review

-----

### 3.1 Delays in the Execution of Projects

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
Seven projects totalling Rs.8,882,950 executed under the Sapirigama Project by the Divisional Secretariats of Pudukudiyirippu Maritimipattu and Welioya had not been completed even by the end of the year under review.	Certain activities have been completed at present. Instructions have been given to expedite the completion of other projects.	Liquidated damages should be recovered in terms of agreements relating to projects not completed within the due period.

### 3.2 Assets Management

-----

The following observations are made..

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) Two water bowsers provided to the Divisional Secretariats of Thunukkai and Pudukudiyirippu in the year 2019 for disaster management activities had not been made use of up to now. The insurance certificates and revenue licences relating to these vehicles had not been made available to Audit.	Steps have been taken to repair and to obtain insurance certificates and revenue licences.	Steps should be taken to use for relevant purposes and to obtain insurance certificates and revenue licences as well.

- |     |  |                                 |  |
|-----|--|---------------------------------|--|
| (b) | A tractor had remained idle in the District Secretariat premises from a period of 05 years and steps had not been taken to transfer the ownership thereof as well. | Action is being taken therefor. | Steps should be taken to transfer ownership and for effective use. |
|-----|--|---------------------------------|--|

**3.3 Officers required to give Security**  
-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
Securities had not been given even by the end of the year under review in terms of Financial Regulation 881 by 09 officers serving in the Divisional Secretariats of Pudukudiyirippu, Oddusudan and Welioya.	Instructions have been given to deposit securities.	Action should be taken in terms of Financial Regulations.

**4. Human Resource Management**  
-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
Out of the approved cadre of 703 of the District Secretariat and 06 Divisional Secretariats, there were 215 vacancies and an excess of one officer.	Steps are being taken.	Steps should be taken to fill vacancies in the approved cadre and to attach excess officers effectively considering the service requirement.