

## **Head – 271 Trincomalee District Secretariats**

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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 Trincomalee District Secretariat 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 containing my comments and observations on the financial statements of the Trincomalee District Secretariat was issued to the Accounting Officer on 22 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 29 July 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to 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 Trincomalee District Secretariat 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 Qualified Opinion**

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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 responsibility for the financial statements is further described in the Auditor's Responsibilities Section. 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 Chief Accounting Officer and the Accounting Officer for the Financial Statements**

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The Accounting Officer are 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 the determination of the internal control that 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 the preparation of annual and periodic financial statements.

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 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 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 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 judgement 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 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

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I express the following matters in terms of 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 recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on the Financial Statements

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### 1.6.1 Recurrent Expenditure

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Following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Although a sum of Rs. 2,712,740 paid by the District Secretariat for cleaning services should be included in other service expenses object No. 271-1-1-0-1409, that expenditure was accounted for under Building Maintenance Expenditure object No. 271-1-1-0-1303.	Agree. In preparing the estimates for the year 2020, the cleaning services have been estimated under Expenditure Head 271-1-1-0-1303.	Expenditure object should be accurately identified and accounted for.
(b) The revenue collected from the rental income for the year 2020 was credited to the general deposit account and out of that a total of Rs. 678,740 was paid for the cleaning services, thus the cost of cleaning services at the District Secretariat was understated from that amount.	Agree. The cleaning service an expense of the District Secretariat was accounted as mentioned.	Expenditure should be accurately identified and adjusted to the relevant expenditure objects.
(c) According to the Treasury Print Notes (SA-90), a sum of Rs. 1,638.45 million had been recorded as liabilities under Expenditure No. 9165-0-0-271-0-0-0 in the year under review but that amount was not mentioned in the financial statements.	Agree. Although such a liability was shown due to a mistake in the preparation of the CIGAS program, but actually such a liability did not occur.	Correct and complete information should be included in financial statements.

## 1.6.2 Deposits

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
A sum of Rs.1,093,800 relating to Rent and Maintenance Fees collected by the District Secretariat from 15 Government Institutions during the year 2020 was kept in the General deposit account without crediting government buildings rental income.	Only the cleaning charges of the respective departments have been paid out of the rent. No payment done for cleaning services by the maintenance expenses charged from non-governmental institutions.	Government revenue should be properly identified and accounted for.

## 1.6.3 Non-maintenance of Registers and Books

Following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The Divisional Secretariat of Gomarankadawala had not maintained a register of electrical appliances in terms of Financial Regulation 454 (2).	Agree. Advised to keep documents and books updated.	Registers must be maintained in accordance with Financial regulations.
(b) A leave register was not maintained in terms of Section 1.7 of Chapter XII of the Establishments Code.	Advised to keep documents and books updated	A leave register should be maintained in accordance with the provisions of the Establishments Code.

## 2. Financial Review

### 2.1 Imprest Management

Following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Paragraph 03 of the Treasury Instructions regarding the release of imprests, the released imprests was to be used only for the intended purpose. However, the imprest amount of Rs.63.99 million received from the State Ministry of Rural Housing and building Materials Industries and the State Ministry of Samurdhi, Household Economics, Micro Finance, Self-Employment and Business Development, was not used for the relevant purpose but was used for other purposes.	Agree. Although, imprest requests had been made from the Treasury Operations Department from time to time according to the allocations received by the District Secretariat, the imprest amounts will not receive the order in which it was applied for, Considering the priority and urgent need, the imprests have managed to bear the expenses which should have been given priority at that moment.	Attention should be made to use the received imprests only for the relevant purpose.
(b) Although an imprest amount of Rs.3.014 million was requested for the year under review, due to receiving only an imprest of Rs. 2.667 million, the difference between the requested imprest and the received imprest was Rs. 347.52 million. As a result, Rs. 196.68 million was stated as bills due at the end of the year under review.	Agree. As the imprest amount requested is not received for the year under review, all bills that cannot be paid at the end of the year are also listed as bills with hand.	Action must be taken to obtain the imprests by submitting the imprests applications in a timely manner.

## 2.2 Excess Expenditure

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) According to the Finance Circular No. 08/2017 of the Director General of Samurdhi dated 31 March 2017, it was observed that 17 families with deceased, married and migrant persons belonging to Muttur and Morawewa Divisional Secretariats had paid Samurdhi allowances of Rs. 219,000 but those families were not eligible.</p>	<p>Agree. Arrangements will be made to recover this money.</p>	<p>Action should be taken in accordance with the circular procedures.</p>
<p>(b) According to the paragraph 1.6 of Finance Circular No. 08/2017 of the Director General of Samurdhi dated 31 March 2017, If a member of a subsidized family gets a government job, the subsidy should be canceled immediately, but the Muttur Divisional Secretariat had paid Rs. 166,000 to 04 families whose subsidies had not been canceled.</p>	<p>Samurdhi benefits have been given to those who are not right due to mistakes made in when selecting beneficiaries and making payments and checking and updating documents.</p>	<p>Action should be taken to recover the money paid contrary to the circular.</p>

## 2.3 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to the Financial Regulation 94(1) and the Public Accounts Circular No. 255/2017 dated 27 April 2017 of the Deputy Secretary to the Treasury, although the Commitments, liabilities and expenses, should not be exceeded the provisions of the year under review, 04 recurrent expenditures and 10 capital expenditures exceeded the provisions received for the year under review amount of Rs. 33.62 million and Rs. 96.60 million respectively.</p>	<p>Agree. Salaries, allowances, payments and nutrition allowances for Pregnant mothers are included in those recurring expenses. Since those payments are essential payments that have to be made continuously. Also, capital expenditure has exceeded due to the fact that Rs. 96.60 million has to be paid in anticipation of allocations for ongoing projects.</p>	<p>Commitments, liabilities and expenses should not exceed the provision value as per circular instructions.</p>

## 2.4 Utilization of Provisions made available by other Ministries and Departments

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Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Although it is the responsibility of each Accounting Officer to make the best use of the provisions allocated to a Department in accordance with Financial Regulation 208, out of the total allocation of Rs. 217.14 million for the District Secretariat by 5 other Ministries and Departments, the expenditure was Rs. 108.31 million and the balance of the provisions was Rs. 108.83 million. As a result, the savings of allocations provided by other Ministries and Departments ranged from 31 percent to 97 percent.</p>	<p>Agree. Due to the Corona epidemic in the country in the year 2020, most of the activities related to the provisions provided by other Ministries and Departments have not been implemented as well as even though provisions for projects were received, but due to non-receipt of imprests there were savings in provisions.</p>	<p>Plans should be made to get the most out of the available funds.</p>
<p>(b) The total allocation of Rs. 33.10 million received for capital expenditure from 4 other Ministries and Departments was not utilized for the relevant purpose.</p>	<p>Agree. Due to the corona epidemic in the country in the year 2020, most of the projects have not been implemented and funds have been saved.</p>	<p>Plans should be made to get the most out of the available funds.</p>

## 2.5 Certification of Chief Accounting Officer/Accounting Officer

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Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system is in place for the financial control of the Trincomalee District Secretariat in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018 and although the effectiveness of the system should be reviewed from time to time and necessary changes should be made to ensure that the system runs efficiently, and such reviews</p>	<p>In the future, I will review the effectiveness of the system and submit a written copy to the audit.</p>	<p>Action should be taken in accordance with the provisions of the National Audit Act.</p>

should be made in writing and a copy should be submitted to the Auditor General, but statements that such reviews had been made had not been submitted to the audit.

## 2.6 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Value Rs.	Observation Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Circular of the Ministry of Women and Child Affairs No. 06/2016 dated 11 April 2016	13,377,000	The Kantale Divisional Secretariat had not set up a continuous mechanism to ensure that only the recommended foods are issued by the registered traders during the implementation and monitoring of the Rs. 20,000 nutritional allowance program for pregnant mothers and to check their quality. No report has been submitted in this regard for the year 2020.	Relevant officials have been instructed to set up a formal mechanism to inspect the quality of these registered institutions in the future at the Kantale Divisional Secretariat.	The circular must be followed.
(b) Sections 3.5 and 3.6 of the Procurement Handbook issued on 25 March 2020.	641,317	Repairs exceeding the limit of Rs. 200,000 should be obtained with the personal approval of the Chief Accounting Officer for repairs of motor vehicles and other equipment, contrary to that, the Divisional Secretariats in Morawewa and Gomarankadawala had incurred repair expenses in the year 2020 for motor vehicle repairs.	The instructions given in the letter No. HA/F/07/VEREP/Commmon/Vol-03 dated 2019-10-30 Secretary to the Ministry of Home Affairs, Provincial Councils and Local Government are also considered here.	Action should be taken in accordance with the Procurement Guidelines.



### 3. Operating Review

#### 3.1 Non- performance of Functions

Following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) To fulfill the contract for the construction of a Sports Center for the Pulmudai-3 RB Stadium under the Kuchchaveli Divisional Secretariat Infrastructure Development Task Force Project, the Kuchchaveli Divisional Secretary reached an agreement with the School Development Society of Pulmudai Muslim College on 06 August 2019. According to the agreement, the contract was to be completed within 90 days from that date, but work had not yet commenced even by 10 September 2020.	Agree. Construction could not begin due to the unusual weather conditions at that time and the continuous water retention of water in the stadium.	Construction should be completed within the contract period.
(b) An agreement was reached with the Kuchchaveli Divisional Secretary and the Kattukkulama Farmers' Organization on 11 November 2019 for the contract of the construction of the Kattukkulama Canal System under the Rural Infrastructure Development Project of the Kuchchaveli Divisional Secretariat under the Gamperaliya Program for Rs.1,695,000. According to the agreement, the contract had to be completed and handed over within 60 days from that date, but even by 20 July 2020, work on the contract had not commenced.	Agree. Due to the heavy rains, the project could not be completed within the expected period.	-Do-
(c) Rs.3,462,632 has been paid to the Water Supply and Drainage Board for laying potable water pipes in 03 Grama Niladhari Divisions under the Sapirigama Project in Muttur Divisional Secretariat Division but the relevant projects had not been started.	Agree During that time some parts were delayed due to the spread of the corona disaster and the difficulty of purchasing the necessary raw materials.	-Do-

### 3.2 **Projects abandoned without completing**

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#### **Audit Observation**

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Two projects value at Rs.1,000,000 which had been allocated funds under the Sapirigamak project in Kantale Divisional Secretariat were abandoned without completing during the year under review.

#### **Comments of the Accounting Officer**

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Agree.  
The raw material could not be taken to the relevant place as the road was demolished for a road development work by the Road Development Authority.

#### **Recommendation**

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Projects should be planned and carried out systematically.

### 3.3 **Delay in Executing Projects**

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Following observations are made.

#### **Audit Observation**

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(a) An agreement had signed by the Kuchchaveli Divisional Secretariat with the Divisional Secretary, Tiriyaya Rural Development Co-operative Society on 18 September 2019 for the construction of Food Processing Centers and Warehouses and Sanitation Facility Improvement of Food Processing Center under the office projects for National Unity and Reconciliation. These contracts valued at Rs. 1,455,000 and Rs.485,000 and were to be completed by 17 December 2019, but those two contracts had not been completed even by the audit date of 10 September 2020.

#### **Comments of the Accounting Officer**

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Agree.  
Due to the Corona epidemic, the implementation of all projects in the division was very slow and heavy rains in the division hampered the resumption of the project.

#### **Recommendation**

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Arrangements should be made to complete the construction work within the contract period.

- (b) Kuchchaveli Divisional Secretariat has entered into an agreement with Padavikkattu Women's Rural Development Society on 28 August 2019 to complete the contract for the construction of Centur Library Building (Phase I) at a cost of Rs.1,960,000 under the Kuchchaveli Divisional Secretariat Infrastructure Development Task Force Project. According to the agreement, the work was supposed to be completed by 27 November 2019, but it had not been completed by 10 September 2020.
- Agree** -Do-
- As the work of the project could not be completed by 31 December 2019, the project could not be completed due to the lack of approval for the request to continue as a continuous work.

### 3.4 Projects without Progress despite the release of Money

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Under the terms no. 07 of Agreement of the Contract Agreement for the Construction of Food Processing Centers and Warehouses worth Rs. 1,455,000 under the Office Project for National Unity and Reconciliation under the Kuchchaveli Divisional Secretariat, 90 percent of the total work had to be completed for payment. However, even though the physical progress of the contract was 50 percent as at 10 September 2020, a sum of Rs. 579,080 was paid as 40 percent of the contract value on 10 July 2020.	Agree. Most of the works have been completed and received by the billing office and the rest are listed as liabilities. Due to non-receipt of funds, payments are delayed and completion of the remaining work is delayed	Payments must be made in accordance with the terms of the agreement.

### 3.5 Assets Management

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) The 0.6707-hectare land owned by the Gomarankadawala Divisional Secretariat had been surveyed on 26 December 2016 under Lot No. 78 under Cadastre Map No. 260190 and on the date of the audit in February 2021 it had exceeded 4 years. However, the ownership of the land had not been transferred to the Divisional Secretariat.</p>	<p>Agree. I kindly inform you that the acquisition of lands owned by the Gomarankadawala Divisional Secretariat will be completed within 03 months.</p>	<p>Ownership of the land should be acquired expeditiously.</p>
<p>(b) The ownership of 12 vehicles belonging to the Kantale, Muttur and Seruwila Divisional Secretariats had not been transferred to the Divisional Secretary.</p>	<p>Agree. These vehicles cannot be taken over by the Divisional Secretary and the Divisional Secretaries have been instructed to refer the matter to the District Secretariat.</p>	<p>Action should be taken to take over the ownership of the used vehicles.</p>

### 3.6 Losses and Damages

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) When purchasing paddy under the Accelerated Purchase programme of Paddy Harvest for the 2019/20 Maha Season, the stocks of paddy valued at Rs.1,868,000 had been less by 821 kg, 8,072 kg and 28,457 kg respectively in those Divisional Secretariats in purchasing of paddy from the farmers of Kantale, Thambalagamuwa and Seruwila Divisional Secretariats and releasing it to the paddy mills.</p>	<p>The mill owners have stated that this is a natural and the damage caused by the brown grasshoppers. The recommendations of the committee appointed to inquire into this matter have been submitted to the Director General of the Development Finance Department of the Ministry of Agriculture for approval.</p>	<p>According to the Presidential Secretariat Circular, the issue should be investigated and immediate action taken.</p>

- (b) The second party had to agree to calculate the percentage of rice issued from paddy, 60 per cent for Kiri Samba and 65 per cent for other varieties and hand over the relevant quantity of rice to the nearest warehouses of Lanka Sathosa. But Rice stocks amounting to Rs. 8,319,959 had received less as 75,130 kilos to the Kantale Divisional Secretariat, 3,465 kilos to the Seruwila Divisional Secretariat and 2,939 kilos to the Thambalagamuwa Divisional Secretariat.
- The recommendations made by the Board appointed to make recommendations for recovery of weight loss have been submitted to the Director General of the Development Finance Department of the Ministry of Agriculture for approval. Once the approval is received, action will be taken as required.
- According to the Presidential Secretariat Circular, the issue should be investigated and immediate action taken.

### 3.7 Management Weaknesses

Following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) The Divisional Secretary had directed all the Grama Niladharis through their duty list to submit their monthly reports on the deceased pensioners to the relevant divisions on the first Wednesday of every month. However, due to non-submission of the monthly reports of the deceased pensioners by some Divisional Secretariats for the year 2020, they were unable to pay their pensions properly.</p>	<p>Agree</p> <p>Grama Niladharis have been informed through the Divisional Secretaries to submit the monthly reports regarding the deceased pensioners on the due date.</p>	<p>Follow the instructions in the internal circulars and duty lists.</p>
<p>(b) The following matters were observed during the sample audit conducted in 04 Divisional Secretariats of Towns and Kadawatha, Kinniya, Thambalagamuwa and Kantale on the payments of allowances of Rs. 5,000 made during the year 2020 for families whose lives are difficult due to Covid 19. This social benefit allowance</p>		

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| (i)   | which should be paid only once a month per family, a sum of Rs.4,305,000 had been overpaid on 861 occasions in 04 Divisional Secretariat Divisions because it has been paid more than once from different lists.  | Allowances that have already been paid twice have been recovered.   | Allowances should be paid in accordance with the circular provisions.            |
| (ii)  | Contrary to Circulars PTF/03/2020 (III) and PTF/03/2020(I) of the Prime Minister's Secretary dated 17 April 2020 and 03 April 2020, a total of Rs. 5,255,000 had been paid to 527 beneficiaries belonging to 4 Divisional Secretariats..  | Action has been taken to recover.   | Payment of allowances should be made in accordance with the circular provisions. |
| (iii) | When paying the allowance of Rs. 5,000 to the beneficiaries according to the list of Samurdhi beneficiaries in Kantale Divisional Secretariat, although the number to be paid is 1,519, A sum of Rs.1,275,000 had been given more than that amount to Samurdhi Development Officers and Samurdhi Village Societies on 10 occasions. | <b>Agree</b><br><br>This situation has arisen due to the fact that the members of the village committee are members of the society. It was advised not to make such mistakes in future. | Payments should be made on the actual documents of the beneficiaries.            |

#### 4. Achieving Sustainable Development Goals

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**Audit Observation**  
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Officials were not adequately aware of the sustainability goals and due to the failure to identify the Sustainable Development Goals, it was not possible to assess the achievement of the targets for the year under review.

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**Comments of the Accounting Officer**  
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**Agree.**  
Action will be taken in future to make the officers aware of the Sustainable Development Goals and to identify the Sustainable Development Goals relevant to the district and achieve them.

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**Recommendation**  
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Sustainable development goals need to be identified and implemented

## 5. Human Resource Management

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The total number of vacancies was 238, including 18 vacancies for senior level officers, 19 vacancies for tertiary level officers, 166 vacancies for secondary level officers and 35 vacancies for primary level officers.	Agree Requests have been made to the Ministry of Home Affairs on a number of occasions to fill the relevant vacancies.	Steps should be taken to fill the vacancies which are essential considering the service requirements.
(b) Although it is essential to employ senior, tertiary service type officers to achieve the objectives of the organization, the post of Assistant Divisional Secretary, Administrative Officer and the post of Administrative Grama Niladhari in the Seruwila Divisional Secretariat has been vacant for 3 years from the year 2018 and the post of Technical Officer had been vacant for 2 years from the year 2019..	Agree Requests have been made to the Ministry of Home Affairs on a number of occasions to fill the relevant vacancies.	Urgent action should be taken to fill the vacancies.