

Head 269 - District Secretariat, Batticaloa

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat of Batticaloa for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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. My comments and observations on these financial statements presented to the District Secretariat of Batticaloa in terms of Section 11(1) of the National Audit Act, No.19 of 2018 appear in this report. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 15 June 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General 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 will be tabled in Parliament in due course.

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 of Batticaloa as at 31 December 2021, 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

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

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 of Batticaloa 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 of

Batticaloa 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

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 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 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

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 Financial Statements

1.6.1 Accounting Deficiencies

(a) Statement of Financial Performance

Audit Observation

Even though according to the report submitted to the Comptroller General, the identified area of land in District Secretariat and 14 Divisional Secretariats was estimated at 24 hectares and it was valued at Rs. 559 million in the statement of non-financial assets, the value of lands aggregating Rs. 487 million had been stated in statement of financial position. Accordingly, the difference of Rs. 72 million was observed. However, actions had not been taken to get land ownership from such Divisional Secretariats.

Comments of the Accounting Officer

Now, instructions have been given to Additional Govt. Agent (Land) to coordinate with Divisional Secretaries to resolve these issues.

Recommendation

Action should be taken to get the ownership of lands

(b) Certification of Accounting Officer

Audit Observation

The Chief Accounting Officer and the Accounting Officer should 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. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.

Comments of the Accounting Officer

This will be rectified by appropriate action in the future.

Recommendation

Must comply with the provisions of Section 38 of the National Audit Act No. 19 of 2018.

2 Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
A provision of Rs. 100 million had been made for capital expenditure, of which only Rs. 38 million had been spent. Accordingly, a sum of Rs. 62 million had been saved.	Due to the country economic situation, we have faced difficulties in obtaining the required equipment.	Action should be taken to fulfill the project objectives during the financial year.

2.2 Utilization of Provision made available by other Ministries and Departments

Audit Observation	Comments of the Accounting Officer	Recommendation
Savings of Rs.186 million was observed at the end of the year under review from the allocations made by various Ministries and Departments for various functions. The percentage of savings ranged from 51 percent to 97 percent.	Due to Covid 19 pandemic, travelling claim and awareness programme allocations were not utilized.	Action should be taken to utilize allocations in accordance with the circular instructions.

2.3 Deposit

Audit Observation	Comments of the Accounting Officer	Recommendation
A sum of Rs. 9.9 million on land acquisition in respect of four Divisional Secretariats had not been utilized for the intended purposes and was remaining in the deposit account for a period ranging from 2 years to 5 years.	The acquisition processes are on-going in the relevant four Divisional Secretariats.	Action should be taken to settle the deposits in accordance with the provisions of the Financial Regulations No. 571.

3 Operating Review

3.1 Non-achievement of the Expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Eight Divisional Secretariats had been given financial allocation of Rs. 9.9 million for the cultivation of ginger. However, according to physical audit examination observations, 12,385 Kg ginger valued at Rs. 7.4 million given to 767 beneficiaries had been damaged due to poor quality of the ginger and the flood. As a result, intended purposes had not been achieved during the year under review.	The quality of gingers was certified by agriculture field instructor. Due to the heavy rain, gingers were damaged.	Action should be taken to purchase quality items.
(b) Batticaloa had purchased 1,351 goats for distribution among 14 Divisional Secretariats. 823 goats worth Rs.823,000 given to the beneficiaries of 04 divisional secretariats should have been insured before being given to the beneficiaries but were not insured. Furthermore, out of 1,351 goats purchased at a cost of Rs. 19.86 million and had been distributed to the beneficiaries, 194 goats worth Rs. 2.85 million had died within one month to three months from the date of purchase and it is not possible to recover the loss due to non-insuring of those goats.	Divisional Secretaries had been instructed to take action to insure the goats distributions.	Public funds should be utilized economy and efficiency.

3.2 Projects without Progress despite the Release of Money

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>A sum of Rs. 16 million had been allocated by the State Ministry of Rural Roads and Other Infrastructure for Rural Roads Development Programme to Divisional Secretariat, Kattankudy for 18 road constructions. However, only 04 roads constructions had been carried out at a cost of Rs. 3.7 million by the Divisional Secretariat during the year under review, leaving 14 roads construction. As a result, a sum of Rs. 12 million had been returned to the Ministry during the year under review without being used for the intended purposes.</p>	<p>Especially for Kattankudy Road estimate preparation online package was sent by particular Ministry in later part of year.</p>	<p>Action should be taken to use allocation economically and efficiently.</p>

3.3 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Out of the losses aggregating to Rs. 7.2 million, actions had not been taken on losses aggregating Rs. 2.1 million sustained in 15 instances and losses of Rs. 1.4 million in 6 instances had remained without taking any actions for a period ranging from 02 to 07 years.</p>	<p>Formal inquiry under way.</p>	<p>Damages and losses should be recovered as per Financial Regulations from 102 to 110.</p>

3.4 Uneconomic Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>A Memorandum of Understanding had been signed between the Manmunai North Divisional Secretariat and Municipal Council, Batticaloa during years 2019 and 2020 for the extension of Railway Cross Road in Batticaloa. However,</p>	<p>Action will be taken according to the next finance committee meeting.</p>	<p>Action should be taken to recover the overpayments.</p>

Manmunai North Divisional Secretariat had not taken actions to recover identified overpayment of Rs. 309,304 from the Municipal Council up to June 2022. Furthermore, the Manmune North Divisional Secretariat had not recovered Rs.1.47 million overpaid in relation to 23 civil contracts with the Batticaloa Municipality.

3.5 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although 13 cheques worth Rs.9.7 million were written in the name of the suppliers for the purchase of goods during the year under review, the ordered goods were not received by the 05 Divisional Secretariats till 20 April 2022. Thus, by making payments before receiving the goods, there were opportunities for irregularities and informal actions in financial management.	Due to the economic crisis, shortage of goods in the market and increase of prices unable to deliver the goods on time by supplier. The cheques were written and waiting for goods.	Action should be taken in terms of Financial Regulations No. 137 and Government Procurement Guidelines.
(b) The Koralai Pattu Central Divisional Secretariat had given a state land in extent of 0.3807 hectares to a private person on grant basis. However, the said land had been given to a private company for the construction of telecommunication tower in violation of the condition of grant land. However, the Divisional Secretariat had not taken any actions to cancel the grant agreement.	As the private company has developed the land, action has been taken to provide the permit for long leasing under State Land Act.	Necessary action should be taken to cancel the lease agreement and recover lease from the lessor.

3.6 Operating Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) In terms of Section 29 (a) of Mines and Mineral Act No. 33 of 1992, four restrictions have been imposed on the issue of licences to an individual. All those four restrictions are printed on the Geological Survey and Mines	Currently, licences issued to a public officer and unsound mind person had been stopped and formulated a comprehensive mechanism	Action should be taken to establish and strengthen the internal control system over sand mining licence.

Bureau applications forms indicating clearance should be given by the mining area Grama Niladhari and Sand licence could not be issued to public officers, unsound mind person, and person having declared as an insolvent. However, the Divisional Secretary had recommended two sand licences to those persons.

for adopting on issuing license for sand mining.

- (b) Kiran Divisional Secretariat had recommended 52 licenses and forwarded them to Geological Survey and Mines Bureau and only 26 licenses had been issued. 167,760 cubes of sand were permitted to be mined for the year under review, but 60,118 cubes of sand were mined in excess of the approved volume.

It has been informed to the Geological Survey and Mines Bureau to take action and monitor closely.

Excavation should be carried out as per the conditions for a license and royalty should be charged for the excavations carried out in the year.

3.7 Contract Administration

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>(a) Construction of new building complex</p> <p>-----</p> <p>(i) Memorandum of Understanding (MOU) had been signed on 23 October 2014 between District Secretary, Batticaloa and Chief Secretary of the Eastern Provincial Council for the consultancy service for the construction of New Building Complex. However, Memorandum of Understanding was terminated with effect from 08 October 2015 due to various delays on consultation process. The District Secretary had paid 40 percent of the consultant fees aggregating to Rs. 7.2 million to the Consultant without considering the fault of the Consultant works.</p>	<p>The Central Buildings Department accepted the Bill of Quantity prepared by Provincial Buildings Departments.</p>	<p>Action should be taken to follow the conditions in Standards Bidding Document.</p>

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| (ii) | According to Section 2 of the Memorandum of Understanding signed on 14 October 2015 between the District Secretary of Batticaloa and the Department of Buildings (Central) for the construction of the new secretariat building complex, 3 percent was to be paid as management fees, but 5 percent had been paid up to 4 th bills were paid. Due to this, a sum of Rs.22 million were overpaid. | Since the contract was terminated, it could not be able to recover the additional payments. | Action should be taken to investigate the matters and recover over payment. |
| (iii) | <p>Liquidated Damages
-----</p> <p>The Engineer of the contract had failed to recover or deduct liquidated damages from the contractor up to June 2022. As a result, a sum of Rs. 57 million had been sustained to the Government as a loss.</p> | The Liquidated Damages was calculated for the period. | Action should be taken to recover the liquidity damages without further delay. |
| (iv) | Rs. 46 million Variation works had been approved. However, works of Rs. 13 million had not been carried out up to end of the year under review. | The contractor requested the variation approval for the expected quantity only not for the actual quantity. | Action should be taken to follow procurement guidelines. |

4 Human Resource Management

Audit Observation

Comments of the Accounting Officer

Recommendation

The approved number of employees was 1,687 and the actual number was 1,801 and the number of excess cadre was 320 or 12 percent of the approved cadre. There were 10 vacancies of administrative Grama Niladhari, 23 vacancies in the Public Management Service Officer and 91 vacancies of Grama Niladhari as at 31 December 2021.

Grama Niladhari and Public Management Service Officer have not appointed yet.

Action should be taken to appoint permanent officers to fill the vacancies to provide services effectively.