

Head 262 – Matara District Secretariat

1. Financial Statements

1.1 Qualified Opinion

Head 262 - The audit of the financial statements of the Matara District Secretariat for the year ended 31 December 2022 comprising the Statement of Financial Position as at 31 December 2022 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 Matara District Secretariat was issued Accounting Officer on 11 May 2023 in accordance with section 11(1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was submitted to the Accounting Officer on 10 May 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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 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 give a true and fair view of the financial position of the Matara District Secretariat as at 31 December 2022, 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 is 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

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 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 following 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) Property, Plant and Equipment

The following deficiencies are revealed in accounting of Property, Plant and Equipment.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	According to the CIGAS programme Non-financial assets movement report of the District Secretariat and Divisional Secretariats and Treasury 82 format at the end of the year under review, it was observed a difference of Rs. 192,042,786 in the total of 12 non-financial assets.	The information required to correct the consolidated report has been given to the CIGAS division of the Treasury and it will be corrected before 31.12.2023.	The assets value of the CIGAS programme and the financial statements should be reconciled.
(ii)	The property, plant and equipment according to the schedule as at 31 December of the year under review of Hakmana Divisional Secretariat was Rs. 12,897,890, but a difference of Rs. 116,071,050 was observed due to that it was Rs. 128,968,940 according to the ACA-06 format submitted with the account.	Due to by mistake, property, plant and equipment was understated in the statement of financial position and it will be corrected.	Divisional Secretariats and District Secretariat balances should be reconciled.

- (iii) According to the assets movement register, the value of disposed assets and the newly added assets were Rs. 9,139,125 and Rs.460,199,179 respectively. There was observed a difference of Rs. 697,365 and Rs. 57,833,874 respectively due to those values was Rs. 9,836,490 and Rs.518,033,053 respectively according to the CIGAS assets register.
- That will be corrected before 31.12.2023
- The value of assets being disposed and newly added should be accurately indicated in the financial statements.

(b) Lack of Audit Evidences

Audit Observation	Comments of the Accounting Officer	Recommendation
Full insurance was obtained for 57 vehicles belonging to the District Secretariat on 06 July 2022 at an expenditure of Rs. 845,109, but the insurance agreement was not submitted for audit.	I report that it has been noted to pay attention to it in the procurement activities of the next year.	Should be obtained the insurance agreement.

2. Financial Review

2.1 Non-compliance with Laws, Rules and Regulations

Instances of non—compliance with the provisions of Laws, Rules and Regulations observed during the sample audits are analyzed below.

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
Paragraph iv of the Public Administration Circular No. 09/2009 dated 16 April 2009.	A total of Rs. 629,139 was paid as days-pay from January to October 2022 to 09 officers of 3 Divisional Secretariats without confirming their service time through the fingerprint machine.	I would like to report that the officers of Hakmana, Pitabeddara and Pasgoda Divisional Secretariats will be followed the circular provisions while receiving days-pay.	Days-pay paid in contravention of Public Administration Circular should be recovered.

3. Operating Review

3.1 Non-achievement of Expected Outcome

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Household economy and nutrition in the Hakmana Divisional Secretariat were improved and each 10 chicks were distributed to 102 beneficiaries under the Family Unit Empowerment programme at an expenditure of Rs. 459,000. Due to the lack of chick safety monitoring and the lack of follow up on the project, the project had completely failed and the incurred expenditure was ineffective due to the death of the chicks.	I report that the beneficiaries had not whole quantity of chicks due to virus disease and hinder from animals.	Projects should be initiated after proper study and proper follow up after project initiation
(b) Rs. 862,470 had been paid to 30 nurseries for packing one pot each of selected vegetables in 34 domains of Hakmana Divisional Secretariat under the National agricultural Garden Development programme. The project had failed completely due to lack of proper planning and follow up process.	I report that plant nurseries failed due to the covid situation and economic crisis, but it has been observed from time to time in this regard and given instructions to initiate and maintain plant nurseries again.	Projects should be initiated after proper study and proper follow up after project initiation.
(c) Business equipment, cinnamon plants and tea plants were given to 198 beneficiaries of the Welipitiya Divisional Secretariat under the fully household economic development programme based on 2 lakh Samurdhi families. The beneficiaries who got the cinnamon plants had not maintained the plantation properly during the physical inspection on 24 November 2022. 02 masala grinding	I report that beneficiaries who got cinnamon plants in Beraleliya domain in Jayawickrama zone have been informed and given instructions to maintain cinnamon plants properly and the project related to 2 masala grinding machines could not be commenced promptly due to the Covid epidemic situation and the economic recession in the country.	Action should be taken to commence the projects after proper study.

machines given to two beneficiaries of 2 Samurdhi domains are not used. Selection of beneficiaries without proper analysis were not achieved the desired objectives.

- (d) Due to death of 1465 chicks given to 27 beneficiaries under the Prosperity Production Village Project as covering 2 Grama Niladahari domains with an expenditure of Rs. 586,000, the project had not achieved its intended objectives.
- I report that since there is no money with the economic crisis in the country, their economy has to bear an additional expenditure by providing foods to the chicks.
- After a proper study, action should be taken to commence the projects.
- (e) Under the Prosperity Production Village Project, the fruit plants provided under the government contribution of Rs. 301,423 to 20 beneficiaries in a Grama Niladhari domain of Hakmana Divisional Secretariat had been damaged by animals. 02 Water motors, 05 pots, 04 wheelbarrows, 03 spades, shovels, buckets, water pipes and water tanks were idle in homes given to the beneficiaries. Although Rs. 12,018,299 had been spent for 72 beneficiaries for the production of betel, pineapple and sweets in a Grama Niladhari domain, the projects had failed due to the destruction of plantations and difficulties in product marketing and follow-up reports of the Economic Development Officer had not been submitted about these projects.
- Destruction of plantations due to damage by animals and diseases of papayas obtained by the beneficiaries, the equipment provided are underutilized and the betel and anthurium flower production project has been downward due to the Covid epidemic and the economic crisis, that the sweets production project is being delayed due to the economic situation of the country and I report that only training programmes were conducted for the bathik production project.
- A study of the projects should be initiated and followed up properly once the project has been initiated.
- (f) 04 Handball playgrounds were built between the year 2016-2021 by spending Rs. 9,149,964 from the allocation received from the Ministry of Sports and Department of Sports to the Divisional Secretariat and District
- I report that the Divisional Secretary and the Pradeshiya Sabha have been informed regarding the non-use of these playgrounds built on the allocations received from the Ministry of Sports and the
- Government allocations should be spent only on planned and effective matters.

Secretariat, but out of that Department of Sports. playgrounds, it was observed that 03 playgrounds built at an expenditure of Rs. 6,823,091 will not be used by the audited date of 25 January 2023.

3.2 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although Rs. 1,251,121 was paid as days-pay and travel ling expenses for 49 field officers attached to Pitabeddara Divisional Secretariat during the year under review, formal records of duty performed in the fields were not maintained.	That the field officers will be submitted the progress related to the special programmes carried out during the last month on the divisional day, I report that the officers send data and pictures to the WhatsApp group of the office on daily basis about the special programmes and duties carried out in the field.	Records should be maintained properly.
(b) Information was called from 16 Divisional Secretariats about the Grama Shakthi Janatha Wiyaparaya, which aims to eradicate poverty in Sri Lanka. Out of the 146 Grama Shakthi Janatha societies registered in relation to 12 Divisional Secretariats, which were received information as at 24 March 2023, 99 Janatha societies remained inactive as at 31 December 2022. Total balances of Rs. 60,199,809 including deposits of Rs. 36,293,148 in those societies and Rs. 23,906,661 as deposits of 47 active societies were deposited in the government banks and it was observed that money was in idle due to suspension of project activities.	I report that the Prosperity Bureau has also been informed to repossess the money in the inactive Gramashakthi Janatha Society accounts.	Action should be taken to take over the money of inactive societies.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A total of 462 redundant officers were employed without formal approval, including one officer in a tertiary level position in a Divisional Secretariat, 460 employees in secondary level positions in the District Secretariat and Divisional Secretariats and one officer in a primary level position.	The excess has occurred due to the recruitment of graduates into government services. I report that action will be taken at the ministerial level in future.	Necessary action should be taken to balance the excess.
(b) According to the provisions of the Public Administration Secretary's circular No. 02/2018 dated 24 January 2018, a Human Resource Development Plan was not prepared and annual performance contracts were not signed for the entire staff.	National Budget Circular No. 1/2023 has restricted the allocation of funds for Human resource Development as expenditure has been managed. I report that no agreement has been signed for that.	Should be act as per circular.