

Head 264 - District Secretariat of Jaffna

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 264 - District Secretariat of Jaffna 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 including my comments and observations on these financial statements presented to the Accounting Officer of the District Secretariat of Jaffna in terms of Section 11(1) of the National Audit Act, No.19 of 2018 on 15 May 2023. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 31 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 District Secretariat of Jaffna 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 are 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 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 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 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 not been implemented.

Reference to the Paragraph of the previous year	Recommendation	Reference to the paragraph of the year under review
1.6.1(j)	The private land should be taken over by the government.	1.6.1(a)(i)
1.6.1(h)	Correct value of fixed assets should be accounted for.	1.6.1(a)(ii)

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Although the land on which the Karainagar Divisional Secretariat building was constructed belongs to private parties, the value of that property amounting to Rs. 60.14 million has been shown under non-current assets in the financial statements of the year under review. However, no necessary actions had been taken to acquire the land.	Necessary actions have been taken to acquire the land.	Necessary actions should be taken to acquire the land.
(ii) The value of 47 items of property, vehicles and equipment belonging to the District Secretariat and 06 Divisional Secretariats totalling Rs. 89,870,618 had not been shown as non-financial assets in the year under review, thus the value of non-financial assets had been understated by that amount in the statement of financial position.	Action had been taken to enter the relevant assets into the Cigas software.	Necessary actions should be taken to bring the value of those assets taken over to the financial statements.

(iii) Although expenditure incurred for the purchase of capital assets totalling Rs. 11,991,950 had been shown in the statement of financial performance (ACA – F) of the year under review, as per the Treasury Printout (SA82), it had been as Rs. 90,206,314, thus a difference of Rs. 78,214,364 was observed.	Actions had been taken to rectify the purchase value of fixed assets in liaison with the Department of State Accounts.	The purchase value of fixed asset should be accurately shown in the financial statements.
(iv) According to the Treasury Printout (SA82) of the year under review, disposal of non-financial asset totalled Rs. 398,085,601, but it had been shown as Rs. 398,576,087 in the New Cigas Assets List of the District Secretariat and 15 Divisional Secretariats, a difference of Rs. 490,486 was observed.	Actions had been taken to rectify the disposal value of fixed assets in liaison with the Department of State Accounts.	Action should be taken to disclose the disposal value of fixed assets properly in the financial statements.
(v) The value of 35 vehicles belonging to the District Secretariat and Jaffna Divisional Secretariat had not been assessed and shown in the financial statements.	The value of 35 vehicles had been assessed and included in the fixed assets register.	Action should be taken to show the fair value of fixed assets in the financial statements.

2. Financial Review

2.1 Utilization of Provisions made available by other Ministries and Departments

Audit Observation	Comment of the Accounting Officer	Recommendation
Out of financial allocations provided by the Ministry of Child Development and Women's Affairs and the Department of Samurdhi Development, interest-bearing and interest-free loans of Rs. 602,420 and Rs. 32,761,569 respectively paid to 2,132 beneficiaries to improve the livelihood of women heads of households had not been recovered from the beneficiaries for a period from 02 to 12 years.	Actions are being taken to recover.	Actions should be taken to recover the arrears within the due period.

2.2 Non- compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observations		Comments of the Accounting Officer	Recommendation
	Value	Non-compliance		
	Rs.			
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
Financial Regulation 115(4), (5)	421,109	For the various overdue payments made in the year under review relating to the period two years earlier, payments were made without obtaining the approval of the relevant Ministry Secretary.	Actions will be taken to obtain the necessary approval in the future.	Necessary actions should be taken to obtain approval from the Chief Accounting Officer.
(b) Section 29.5.2 of Chapter XIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka		25 duty railway warrants had been issued to 11 senior level officers working in 08 Divisional Secretariats to appear for the efficiency bar examination.	Appropriate actions will be taken in the future according to the Establishment Code.	Travel expenses for efficiency bar examinations should be reimbursed after passing the examinations.

2.3 Issuance and Settlement of Advance

Audit Observation	Comment of the Accounting Officer	Recommendation
Action had not been taken to recover disaster loan totalling Rs. 721,227 due from 02 retired officers and 02 deceased officers for 03 months to 03 years according to section 4 of chapter XXIV of the Establishment code.	Actions had been taken to recover from retirement gratuity and sureties.	Actions should be taken to recover the arrears of the disaster loan.

3. Operating Review

3.1 Non-achievement of expected Outcomes

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Out of the allocations given by two ministries in the years 2018 and 2020 respectively, in the year 2021, the madduvil economic center which had been constructed at a cost of Rs. 196,039,247 on a land not taken over by the district secretariat had not been opened for public use.	The activities of this center are expected to start after getting the electricity facilities.	Necessary actions should be taken to open the economic center for public use.
(b) In order to promote 06 local products which had been started under the Saubagya Production Village Programme of the District Secretariat and 06 Divisional Secretariats in the previous year, renovation of buildings and purchased industrial equipments totalling Rs. 29,713,780 has been abandoned without being used for the intended purposes up to date. Due to the fact that there were no activities to improve the livelihood of the low income beneficiaries living in those villages.	Relevant activities are being done.	In order to promote local products, building renovation and relevant industrial equipment should be utilized and efforts should be made to improve the livelihood of low income beneficiaries.
(c) A total sum of Rs. 1,134,171 given by the Ministry of Child Development and Women's Affairs to improve the livelihood of widows and women was kept in government bank accounts and samurdhi bank accounts by 08 Divisional Secretariats for 02 to 09 years without taking actions to select the relevant beneficiaries and give the revolving loans.	Action had been taken to give this deposit as loan properly and recover in future.	The relevant beneficiaries should be selected and actions should be taken to provide revolving loan, and after a project is implemented, follow-up activities should be carried out.

3.2 Projects abandoned without completing

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the agreement entered into in 2018 with a private contractor for the construction of a factory for milk processing activities in Thirunelveli and the purchase of processing equipment for it at a total cost of Rs. 56,640,750, although the district secretary had paid Rs. 4,911,486, the contractor had not purchased the relevant basic equipment, thus this project had been abandoned. However, these activities which was supposed to be completed on 28 march 2019, had not been completed, and the district secretary had not taken steps to encash the performance bond worth Rs. 4,822,238 and credit it to the government revenue.	The contract had been terminated due to the failure of the contractor to carry out the relevant activities within the stipulated time, and further action is being carried out.	Actions should be taken against the contractor who did not perform as per the agreement and the performance bond should be encashed and taken into the government revenue.

3.3 Projects without Progress despite the release of Money

Audit Observation	Comment of the Accounting Officer	Recommendation
Although a total sum of Rs.9,368,219 had been paid up to now to the contractor for the sewage recycling project, Chunnakam which was to be completed at a cost of Rs. 75,323,600 in the year 2019, it has not been possible to recycle the sewage as the relevant works has not been implemented.	Further actions will be taken as per the recommendation of the appointed assessment committee.	The relevant tasks should be completed and the project should be implemented.

3.4 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
The lands on which the buildings constructed by Jaffna and Valikamam South West Divisional Secretariats at a total cost of Rs. 48,299,000 and 12 office buildings for Grama Officer and other officers constructed by 07 Divisional	The relevant activities are being done.	Actions should be taken to take over the land of these offices.

Secretariats under the official Nila Sevana Project in 2018 at a cost of Rs. 30,830,235 had not been owned by the District Secretary or the Divisional Secretaries according to paragraph 2.1 of the State Ministry of Home Affairs Circular No. 05/2021 dated March 2021. However, actions had not been taken to acquire or take over these private lands to the government up to date.

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) There were vacancies for 41 officers in 04 posts belonging to the secondary level staff in 13 Divisional Secretariats, and there was an excess of 22 officers related to that position in 11 other Divisional Secretariats, thus the district secretary had not taken necessary measures to assign the duties to them.	Due to various reasons staff are not able to make assignments.	Necessary arrangements should be made to assign duties to staff efficiently.
(b) 123 officers belonging to the staff of the combined services who worked in 06 Divisional Secretariats from 06 to 17 years have the opportunity to serve continuously at the same workplace for more than 05 years without being transferred according to the public administration circular no. 18/2001 dated 22 August 2001.	Transfers could not be made due to the local authority election.	Arrangements should be made to assign duties to the staff as per the transfer policy.