

Head 265 - District Secretariat of Mannar

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat of Mannar 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 Mannar in terms of Section 11(1) of the National Audit Act, No.19 of 2018 on 24 May 2023. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 19 June 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report 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 Mannar 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 of Mannar 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 recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

Accounting Deficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) As the total sum of Rs. 7,226,394 spent on rehabilitation and improvement of capital assets during the year under review had not been shown as non-financial assets in the financial statements, the value of the non-financial assets for the year under review had been understated by that amount.	The concerned officer has been instructed to avoid such errors in the future.	Steps should be taken to show the correct value of assets in the financial statements.
(ii) The value of the land on which the Mannar District Secretariat located with an extent of 2,625 square feet had not been assessed and brought to the financial statements.	Action had been taken to obtain the valuation reports for the assets from the Valuation Department and account for.	The value should be assessed and shown in the financial statements.

2.1 Incurring of Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
Due to non-receipt of financial allocations, liabilities totalling Rs. 98,566,889 incurred by the District Secretariat in the period from 2019 to 2021 had continuously been shown in the financial statements without making payments for a period of 01 to 03 years.	Existed as a liability.	Necessary action should be taken to obtain provision and pay the outstanding bills.

2.2 Non- compliance with Laws, Rules and Regulations

Instances of non-compliance with the Laws, Rules and Regulations are given below.

Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance	Comments of the Accounting Officer	Recommendation
Government Procurement Guideline 2006				
(a) Guideline 4.2.1 and 4.2.3	44,149,676	The procurement schedule and detailed procurement plan had not been prepared for the expenditure item of building and structures in the year under review.	Will be prepared in the future.	Action should be taken to prepare according to the procurement guidelines.
(b) Guideline 5.4.8	2,634,846	Although a performance bond of 10 per cent of the contract amount has to be obtained from the contractors for the purchase of sprinkler irrigation equipment, the District Secretariat had obtained a total sum of Rs.1,317,423 or 5 per cent.	Five per cent had been obtained as per the approval of the District Secretary.	Action should be taken to recover as per the procurement guidelines.

2.3 Issuance and Settlement of Advance

Audit Observation

Adequate actions had not been taken to recover staff loan outstanding balances totalling Rs. 623,250 from 05 officers who have been suspended and left the service in terms of Section 4 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.

Comment of the Accounting Officer

Steps have been taken to recover outstanding loan balances.

Recommendation

Appropriate steps should be taken to recover outstanding loan balances.

3. Operating Review

3.1 Non-achievement of expected Outcome

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>A sum of Rs. 3.28 million had to be paid and purchased for the construction of a 750 liter per hour water treatment plant and a room therefor to provide purified water to the people during the year under review. However, due to the purchase and supply of a 500 liter per hour water treatment plant, the people of that village could not get the required amount of purified water per day.</p>	<p>The appropriate answer had not been given.</p>	<p>It should be procured as per prescribed specifications as per 5.6 of the Procurement Guidelines.</p>

3.2 Procurement

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>In the procurement process for 80 beneficiary sprinkler irrigation projects purchased for Rs. 26,348,460, non-completion of bid, total cost of procurement had not been mentioned, authorized manufacturers had not been mentioned and procurement had been carried out without summary report of the technical evaluation committee.</p>	<p>Suppliers and others had not completed the prescribed bid forms. However, the suppliers had submitted by mentioning in a different list.</p>	<p>During the procurement process, action should be taken as per procurement guidelines and procurement manual.</p>

3.3 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Fourteen motorcycles, a two-wheel tractor, a tractor-trailer and 03 other vehicles in the district secretariat and divisional secretariats had not been repaired and used or removed.</p>	<p>Due to the lack of registration books of the respective vehicles, it has been decided to seek further instructions from the Commissioner of Motor Traffic.</p>	<p>Appropriate action should be taken.</p>

3.4 Management Weaknesses

Audit Observation	Comment of the Accounting Officer	Recommendation
As of the date of this report, a total sum of Rs. 72,565,061 had been paid for the technical park, vehicle parking and assembly hall being constructed by the District Secretariat since 2018, but no steps had been taken to obtain approval or prepare the building design in accordance with the Urban Development Authority Act.	Such errors will be avoided in the future.	Total cost estimates for construction works should be prepared and steps should be taken to obtain relevant approvals.

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though the approved cadre for the District Secretariat and Divisional Secretariats was 667, there were 172 staff vacancies at the senior, tertiary, secondary and primary levels as at the end of the year under review. Due to this, operations such as issuance of business registration certificates and providing land permits which are the performance indicators of the services provided by the District Secretariat to the public were disrupted.	Actions have been taken to fill the vacancies.	Actions should be taken to fill the vacancies as per requirement.