

Head 267 - District Secretariat of Mullaitivu

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat of Mullaitivu 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 Mullaitivu 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 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 Mullaitivu 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 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(c)	Accounts should be prepared in comparison with the treasury books.	1.6.1(b)(i)

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Capital Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
In the statement of financial performance statement of the year under review, the cost of purchase of 02 types of capital assets had been shown as Rs. 5,497,585 but in the treasury printout (SA - 82) it had been shown as Rs. 2,800,845, resulting in a difference of Rs. 2,696,740.	This happened due to an error in the web interface and is being corrected.	Differences should be identified and corrected.

(b) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Although the total sum of non-financial assets as at the end of the previous year had been Rs. 1,270,479,547, there was a difference of Rs. 85,212,853 due to the opening balance of Rs. 1,355,692,400 in the financial statements of the year under review.	New web cigas assets management has submitted requests for correction through email.	Differences should be identified and corrected.

(ii)	When comparing the total sum of non-financial assets as shown in the statement of financial position of the year under review is Rs. 1,432,058,050, it had been shown as Rs. 1,454,597,866 in the statement of non-financial assets of the year under review. total sum of non-financial assets shown in the statement of financial position had been understated by Rs. 22,539,816.	This value will be corrected in future when changing the statement of financial position format.	Steps should be taken to show the correct aggregate value of non-financial assets in the financial statements.
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(c) Imprest Balances

Audit Observation

Comment of the Accounting Officer

Recommendation

It was observed that the imprest balance of Rs. 27,158,000 settled by the District Secretariat to the treasury on July 04 of the year under review had been wrongly shown as unsettled mobilization advance account balance and as cash and cash equivalents in the statement of financial position of the year under review.

Such errors will be completely avoided in the future.

Actions should be taken to correct these errors to accurately account for outstanding mobilization advances.

(d) Lack of documentary evidence for audit

Audit Observation

Comment of the Accounting Officer

Recommendation

A total sum of Rs. 200.8 million had been paid for “a Green Country” National Home Gardening Revolution and related development schemes during the year under review, but approved beneficiaries, selection applications, selection criteria, crop germination test report, progress reports of rural, regional and district activities, yield or results from crops, prospective assessment level from crops and the board of survey report of the agriculture equipment provided to 139 units of government agencies etc. had not been submitted for audit, thus they could not be satisfactorily vouched or accepted in audit.

Action is being taken.

Steps should be taken to submit all related documents for audit.

(e) **Non- compliance with Laws, Rules and Regulations**

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

		Observations		Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Value	Non-compliance			
	Rs.				
(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	2,632,447	The District Secretariat had kept 32 unutilized and lapsed deposits in the general deposit account for the last 02 to 04 years without taking any effective action.		Actions will be taken after the imprests are received.	Deposits should be utilized for the relevant purposes and effective measures should be taken regarding lapsed deposits.
(ii) Section 4 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	122,391	Pudukudiiruppu Divisional Secretariat has not taken appropriate measures for the last 05 years to recover the outstanding distress loan balance of Rs.144,335 from 02 officers who were interdicted from the post.		Steps have been taken to recover.	Appropriate action should be taken expedite for recovery.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
In the year under review, 25 instances were observed where overtime and holiday pay totalling Rs. 836,346 had been paid to the officers who performed duties in the various sections of District Secretariat which not related to the project tasks from the financial allocations related to administrative expenses given for 04 development projects.	No suitable answers are given.	Only the administrative expenses of the duties related to financial provision should be paid.

2.2 Issuance and Settlement of Advances

Audit Observation	Comment of the Accounting Officer	Recommendation
Out of advances totalling Rs. 20,729,785 given in 2015 by the District Secretariat for the purchase and sale of paddy from the farmers to two multipurpose cooperative societies without any agreement, a total sum of Rs. 17,634,125 or 85 percent had not been settled up to now.	Legal action has been taken.	Appropriate action should be taken to recover the advance.

3. Operating Review

3.1 Non-achievement of expected Outcomes

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) 118 houses constructed by 04 Divisional Secretariats at a total cost of 183.9 million and given to the people remained unused by the residents for the last 6 to 10 years.	They have not been able to use these because they have moved to other areas for economic, educational and health reasons.	Actions should be taken to use those houses in a more effective manner.

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| (b) | Out of the financial allocation made by the National Child Protection Authority, the protection center for vulnerable and abused children which was built in Selvapuram with 481 items of goods and facilities by the District Secretariat at a cost of 24.19 million in the year 2014, remained idle for the last 08 years without achieving the expected benefits. | Answer had not been provided as applicable to audit observations. | Actions should be taken to utilize it for the relevant purposes. |
| (c) | The oil production machines purchased by Oddusudan Divisional Secretariat at Rs. 1.48 million under Saparigama Project in the year 2020 had been handed over to the Thirumurugandi Village Development Society without high-power electrical connection facilities to operate them. As such, these machines had not been used for their proper purpose and remained in a defective condition up to now. | Action will be taken to use after providing electrical connections. | Effective measures should be taken to use for the purposes purchased. |

3.2 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) A generator provided by the Ministry of Disaster Management to the District Secretariat had not been used for 06 years. Also, another 502 Kilowatts (502KW) high power generator purchased in December 2016 at Rs. 9.8 million to be used only in the event of a main power cut in the District Secretariat had failed after 385 machine hours of operation.	Repairs will be made when provision is made.	Appropriate steps should be taken to repair and use effectively.
(b) 13 vehicles used by the District Secretariat and the Divisional Secretariats of Tunukkai, Pudukudiiruppu, Welioya, Oddusudan etc. had not been belong to the them.	Action will be taken to transfer the ownership.	Appropriate steps should be taken to transfer ownership.

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| (c) | 15 vehicles used by the District Secretariat, Tunukkai and Pudukudiiruppu Divisional Secretariats remained in repair condition for more than 03 years. However, no suitable measures have been taken to repair and use them up to now. | Repairs will be carried out when funding is available. | Appropriate steps should be taken to repair and use effectively. |
| (d) | 03 motorcycles and 02 lorries kept in the warehouse for the World Food Program at Mulliyavalai on 10 September 2019 had not been subjected to physical inspections in the year under review. | No comments. | Steps should be taken to submit the related documents and books for physical inspection. |

3.3 Security of Public Officers

Audit Observation

According to the Circular No. 04/2020 dated 16 March 2022 of the State Ministry of Home Affairs, security money of Rs. 294,000 to be obtained from 27 officers who have to pay security money in the District Secretariat and 06 Divisional Secretariats have not been received so far.

Comment of the Accounting Officer

Actions are being taken to obtain security money.

Recommendation

Actions should be taken to get security money.

3.4 Management Weakness

Audit Observation

Even though the land title deeds/ vesting orders and survey plans shown in the financial statements as belonging to the District Secretariat and 06 Divisional Secretariats had not been made available to audit for more than last 10 years, no effective actions had been taken to obtain them and assess their fair value and show them in the financial statements.

Comment of the Accounting Officer

Operations in this regard will be started soon.

Recommendation

Effective measures should be taken to verify the title deeds and the extent of land and assess its fair value by the government valuer and show it in the financial statements.

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
At the end of the year under review, there were 120 staff vacancies continuously out of the 702 staffs approved by the Department of Management Services for various categories of staffs in the District Secretariat and Divisional Secretariats.	Action will be taken for recruitment.	Actions should be taken to recruit for the vacant positions.

5. Achievement of Sustainable Development Goals

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the Sustainable Development Act No. 01 of 2017, in order to achieve sustainable development goals, actions had not been taken to identify and implement the goals to be achieved by the District Secretariat and the Divisional Secretariat annually, the operations to be carried out to achieve those goals and the indicators to measure their progress since 05 years.	Sustainable Development Goals are being identified and implemented.	By identifying the indicators and assessing the annual achievement levels, effective steps should be taken to achieve those goals by the year 2023.