

## **Head 268 - District Secretariat of Kilinochchi**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head 268 - District Secretariat of Kilinochchi 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 Kilinochchi in terms of Section 11(1) of the National Audit Act, No.19 of 2018 on 20 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 Kilinochchi 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 Kilinochchi 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

### 1.6.1 Accounting Deficiencies

#### Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) The total sum of property, plant and equipment shown in financial statements of previous year was Rs. 1,333.02 million but it had been brought as Rs. 1,312.22 million to the financial statements of the year under review, thus there was a difference of Rs. 20.8 million in the total sum of property, plant and equipment in the year under review.	This happened due to an error in the computer information system.	Corrective action should be taken.
(b) According to the NEW CIGAS ASSET Report for Final Accounts of the year under review, disposed non-current assets were Rs. 7.01 million but disposed non current assets had been shown as Rs. 4.09 million in the financial statements, thus there was a difference of Rs. 2.92 million.	These differences exist due to failure to enter in the computer website and understated opening balances.	Appropriate actions should be taken to show the correct values in the financial statements.
(c) The total sum of non-current assets purchased during the year under review was Rs. 26.83 million, but it had been shown as Rs. 24.58 million in the financial statements, thus there was a difference of Rs. 2.25 million.	These differences exist due to failure to enter in the computer website and understated opening balances.	Appropriate actions should be taken to show the correct values in the financial statements.

## 2. Financial Review

### 2.1 Non-compliance with Laws, Rules and Regulations

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

<b>Reference to Laws, Rules and Regulations</b>	<b>Value  Rs. Million</b>	<b>Non-compliance</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Financial Regulation 103 (1) of the Democratic Socialist Republic of Sri Lanka	0.246	In the year under review, appropriate action had not been taken regarding the loss of 09 categories of items stolen in a Divisional Secretariat.	A complaint has been lodged with the police and further action is being taken.	Action should be taken in terms of Financial Regulation.

### 2.2 Issuance and Settlement of Advance

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Appropriate actions had not been taken to recover staff loan outstanding balances totalling Rs. 0.72 million from 03 officers who resigned and retired from the positions of the District Secretariat for the last 01 to 12 years.	Actions are being taken to write off and recover from retirement gratuity.	Actions should be taken to recover the loan balances.

## 3. Operating Review

### 3.1 Non-achievement of expected Outcome

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) According to the Saubagya Production Village Programme, the market complex constructed by the Karachi Divisional Secretariat at a cost of Rs. 03 million in the year 2021 had been abandoned since last year without being opened to the public to be used for the relevant purposes.	Actions will be taken to operate.	Expedite action should be taken to open and put to use public once it is constructed and ready for use.

(b) From the financial allocations given by two other ministries, the coconut oil production center and 04 types of machineries for local manufacturing industries constructed by the District Secretariat and Poonakari Divisional Secretariat at a cost of Rs. 54.51 million and handed over to 03 cooperative societies and community-based organizations had been left unused for the last 03 to 04 years.	Action will be taken to use.	Appropriate measures should be taken to use machinery to improve domestic production.
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### 3.2 Assets Management

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Twelve lands being used by the District Secretariat and 04 Divisional Secretariats did not belong to them but the total value of them Rs. 232.1 million had been shown in the financial statements since last 5 years. However, the ownership of the land had not been obtained or handed over to the District Secretariat.	Actions are being taken to obtain legal documents related to the land.	Actions should be taken to obtain or hand over ownership.

### 3.3 Losses and Damages

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
No action had been taken regarding the disappearance of the hammer used to mark the permission to transport trees to the Karachi Divisional Secretariat by the Department of Forestry Resources for 3 years.	Complaints had been made to the police and further action is being taken.	The Department of Forest Resources should be informed in this regard and conduct investigations as per the financial regulations to confirm who the responsible officers are.

## 4. Human Resource Management

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) 123 officers who had worked for more than 05 years in the District Secretariat and 04 Divisional Secretariats had been allowed to work continuously in the same workplace without getting transfers even	Necessary actions had been taken for transfer.	Action should be taken to decentralize the staff as per transfer circular.

exceeded 05 years as per the Public Administration Circular No. 18/2001 dated 22 August 2001.

- (b) According to the cadre approved by the Department of Management Services, there were 24 vacancies in 04 posts in the District Secretariat and 04 Divisional Secretariats as at the end of the year under review.

The vacancies had not been taken into consideration when the appointments had been made to the development officers directly by the Ministry of Public Administration, Provincial Councils and Local Government throughout the island.

Action should be taken to fill the vacancies.