

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

### **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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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 District Secretariat of Kilinochchi was issued to the Accounting Officer on 28 May 2024 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 09 July 2024 in terms of Section 11(2) of the Audit Act. This report will be submitted to the 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 Kilinochchi as at 31 December 2023, 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 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 scepticism 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 of the Financial Statements

### 1.6.1 Accounting Deficiencies

<b>Audit Observations</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendations</b>
(a) According to the treasury notes for the year under review, the public deposit receipts were Rs.135,011,471, but the public deposit receipts showed in the cash flow statement as Rs.136,493,748 and Rs.1,482,277 had been overstated.	Rs.1,482,277 are the receipts of the Northern Provinces. There were no year-end deficits. Hence, that these are not shown in the treasury notes of the year under review.	Financial statements should be prepared in accordance with the circulars and guidelines of the Public Accounts Department.
(b) According to the treasury notes, in the year under review, Rs.1,675,760 had been received in cash from the sale of non-current assets, but the cash flows from the sale of investing activities in the cash flow statement were Rs.1,907,731 which was overstated in the financial statements by Rs.231,971.	The surplus has been confirmed by comparing the sum of the income symbols that were returned from the District Secretariat and the Divisional Secretariat. That the steps have been taken to correct this.	Steps should be taken to accurately identify cash flows and prepare financial statements.

### 1.6.2 Lack of Written Evidence

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
The value of 20 lands belonging to the District Secretariat and 04 Divisional Secretariats was stated in the financial statement of the year under review as Rs.334,395,000, but there were no legal documents proving the ownership of 13 lands worth Rs.202,870,000.	That an official committee will be established in relation to the land where the land transfer work has not been completed in the district secretariat and the divisional secretariat, and the accurate information collected will be provided promptly and completed.	Urgent measures should be taken to ensure legal ownership of land.

## 2. Financial Review

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

Below are the instances where laws, rules and regulations were not complied with.

	<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliances</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendations</b>
(a)	Section 19(2) of Chapter 464 of the Land Development Ordinance	In the year under review, 132 land title deeds were kept in the Kandavalai Divisional Secretariat without being given to the people in accordance with the provisions of the relevant Ordinance.	Actions are being taken to provide land title deeds to the relevant persons.	Actions should be taken as per the Act and provide the title deeds to the relevant persons promptly.
(b)	Paragraph 5(iii) and 6(c) of the Circular of the Department of Land Commissioner General No. 96/05 dated 01 August 1996	The Karachi Divisional Secretariat had not taken steps to recover the sum of Rs.3,129,750 in annual arrears and penalty charges for the period from 2005 to 2023 for the leased lands.	That the steps have been taken to recover the money.	Actions should be taken as per the circular and collect the arrears of tax.

### 2.2 Advance Payment

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
According to the advance account reconciliation statement of the government officers, actions had not been taken to collect the outstanding loan balance of Rs.114,230 due from one retired officer since last 13 years.	It is being recovered step by step.	Steps should be taken to recover the due balances.

### 3. Operating Review

#### 3.1 Non-achievement of Expected Outcome Level

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
District Secretariat had spent Rs.62.64 million on purchasing machinery, renovating buildings and establishing production centers for jaggery production and packaging of thelilja, frog packaging, fruit and vegetable processing, papadum production, coconut oil production and packaging, compost production, moringa leaf powder production from various ministries and program financial allocation and handed over to 04 Cooperative Societies and 02 Rural Development Societies in the years 2018 and 2019, but they remained unused for more than 05 years.	The operations were not carried out due to reasons such as insufficient daily receipt of raw materials, high production costs, lack of market opportunities, lack of three-phase electricity, and insufficient space in the building where the production process and machinery were installed.	A formal program should be prepared and implemented to activate the relevant projects.

#### 3.2 Non-achievement of expected Outcome

<b>Audit Observations</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendations</b>
(a) The Pacchilaipalli Divisional Secretariat has identified the people who have no house to live in and it has been observed that in the 55 houses built at a cost of Rs.31,590,000, the people have not lived there for a period of 01 to 04 years and the jungles around those houses have grown idle.	55 houses of the permanent houses provided by the government included those who went for medical treatment, lived alone without a partner, and went abroad for further education. That they will come back and settle down.	After a re-examination directed to take policy decisions, the benefits should be arranged to provide housing to the needy people.
(b) It was observed that 04 halls and buildings belonging to the district with a total value of Rs.4,600,000 were unused for a period of 01 to 10 years.	That it was unused due to reasons like. lower part of the hall was damaged, the opening ceremony of the fishermen's retirement resort was not held, the road leading to the hall was dilapidated and the youths were not interested in the sport.	Regular programs should be implemented to utilize the assets for the intended purpose.

### 3.3 Losses and Damages

#### **Audit Observation**

There was a shortfall of 200 books when comparing cash receipts printed book balance and physical book balance of Kandavalai Samurdhi Bank. According to paragraph 3.6 of Samurdhi Bank Society Manual 12, although a total of Rs.5,000,000 should have been charged at Rs.25,000 per book in respect of loss of cash receipts from Samurdhi Manager and related parties, but it was not done accordingly.

#### **Comment of the Accounting Officer**

No authority has been delegated to the District Secretariat regarding this matter. That the due to this, it is not appropriate for the district secretary's office to provide an audit answer to this matter.

#### **Recommendation**

This subject should be reported to the authorized officer and a formal investigation should be conducted and steps should be taken to deal with the rules and regulations.

### 4. Human Resource Management

#### **Audit Observation**

- (a) According to the staff approved by the Department of Management Services, there were 28 vacancies and 118 surplus in 04 types of posts in the District Secretariat and 04 Divisional Secretariats on the last day of the year under review.
- (b) It was observed that 315 officers were continuously performing their duties in the same workplace without being transferred for more than 05 years in the District Secretariat and 04 Divisional Secretariat without proceeding in accordance with the State Administrative Circular No. 18/2001 dated August 22, 2001.

#### **Comment of the Accounting Officer**

Vacancies were not taken into account in the development officer appointments made by the State Administration Provincial Councils and the Ministry of Local Government directly across the island.

That the measures are being taken to transfer considering the service period.

#### **Recommendation**

A staff review should be conducted and arrangements should be made to fill the vacancies as per the need and approve the excess staff or assign them to other institutions.

Action should be taken as per the circular.