

## **Head 269 - District Secretariat, Batticaloa**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of Head – 269, District Secretariat Batticaloa 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 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. Summary report including my comments and observations on these financial statements was issued on 28 May 2024 to the Accounting Officer in terms of Section 11(1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 28 May 2024 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General 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 Batticaloa 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 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 Batticaloa 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 of Batticaloa 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 District Secretariat's 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 that the financial statements are consistent with the preceding year in accordance with Section 6 (1) (d) of the National 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 Statement of Financial Position

No.	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	According to the report submitted to the Comptroller General, the identified area of lands in District Secretariat and 14 Divisional Secretariats were estimated at 24 hectares and it was valued at Rs.559 million in the statement of non-financial assets and shown in the statement of financial position (ACA-P). However, actions had not been taken to obtain the ownership of the lands valued at Rs.23 million relating to 03 Divisional Secretariats even up to 31 December 2023.	Action has been taken to obtain the ownership of 03 Divisional Secretariat as soon as possible.	Action should be taken to get the ownership of lands.
(b)	The other machinery and equipment had been shown in trail balance as Rs.2,499,806 and Rs.1,997,500 respectively. However, the above sums had been shown as Rs.4,197,306 in the SA-82 of Treasury printout and same amount reflected in the Statement of Financial Position (ACA-P). As such, a difference of Rs.300,000 was observed.	This error has occurred and will be corrected in the future.	Action should be taken to prepare the financial statement accurately.

## 2. Financial Review

### Deposits

Audit Observation	Comment of the Accounting Officer	Recommendation
The retained deposits amounting to Rs.26,355,774 were remaining for more than 02 years, out of that, an amount of Rs.9,360,840 were remaining for more than 05 years. However, actions had not been taken to settle the deposit or taken into revenue as per Financial Regulations No. 571.	The action has been taken to rectify this matter.	Action should be taken in terms of Financial Regulations.

### 3. Operating Review

#### 3.1 Non-achievement of Expected outcome

No.	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	Five Evacuation Centres in the Batticaloa District had been renovated by using total allocation of Rs.5,828,147 during the year under view by the National Disaster Relief Service Centre (NDRSC) and it had been drawn the special attention and important areas when selecting the relevant Safety Centres by letter No. NDRSC/1/2/3/12/EC/-2023 dated 14 February 2023. However, contrary to that, out of 05 projects, 03 projects for construction of toilets with the total cost of Rs.3,828,430 for Relief Service Centres had been carried out in Schools where adequate toilets facilities were available.	Action will be taken to reply as soon as possible.	Action should be taken to utilize the funds for the projects to achieve the expected outcomes.
(b)	According to the Guideline for “Grama Shakthi” issued by the Presidential Secretariat, utilization and monitoring of funds allocated for “Grama Shakthi” Scheme should be carried out by the respective Divisional Secretary. However, it was observed that actions had not been taken by 13 Divisional Secretariats in Batticaloa District to utilize the funds aggregating Rs. 38.4 million from 01 year to 03 years for the intended purposes.	Action will be taken to reply as soon as possible.	Action should be taken to utilize the funds for the intended purposes.

#### 3.2 Operating Inefficiencies

##### 3.2.1 Granting of Permits on Sand, Soil and Gravel Permit

No.	Audit Observation	Comment of the Accounting Officer	Recommendation
	In terms of Mines and Mineral Act No. 33 of 1992, as amended No.66 of 2009, the power given to the Director General of Geological Survey and Mines Bureau to issue		

one day permit on non-commercial purposes for sand, soil and gravel mining and transporting had been handed over to Divisional Secretaries. However, it was observed that one day permit had been issued for commercial purposes at Manmunai South West Divisional Secretariat. In this regard, the following observations are made.

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| (a) | According to the Guidelines given by the Geological Survey and Mines Bureau, non-commercial activities are described as small quantity purpose of which using for self needs without sales purpose. However, it was observed that one day permit issued for four personal to mine and transport of 64 cubes sand and 508 cubes soil and gravel within 16 month period from January 2022 up to 30 April 2023. | Action will be taken on the matters pointed out. | Action should be taken to establish and strengthen the internal control system for sand mining licenses.               |
| (b) | According to the Guideline No 03, the needed document should be submitted to prove that their personal needs for the sand/soil / gravel. However, one day permit had been issued by the Divisional Secretary without any of those documents.   | Action will be taken on the matters pointed out. | Action should be taken to establish and strengthen the internal control system for sand mining licenses.               |
| (c) | According to the Guideline No 04, the maximum limit allowed to issue permit for a month had been prescribed as 02 cubes sand and 35 cubes of soil and gravel. However, Sand and Gravel/Soil permits had been issued by Divisional Secretariat during year under review in 03 instances and 04 instances respectively contrary to the maximum limit allowed for a month.                                      | Action will be taken on the matters pointed out. | Action should be taken to limit the maximum allowed quantity to safeguard the non-renewable resources and environment. |

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| (d) | According to the Guideline No. 08 and sub section (vii) and in terms of Mines and Mineral Act No. 33 of 1992, as amended by Act No.66 of 2009, misuse of one day permit is punishable offence. However, actions had not been taken against the 04 license holders who had misused the permits. | Action will be taken on the matters pointed out. | Action should be taken against the misuse of the permits by the permit holders.            |
| (e) | According to the Guideline No.10, the power which is handed over to the Divisional Secretary can only use for non- commercial activities. However, the Divisional Secretary is continuously issued permits for 04 persons without any basis or rationale.                                      | Action will be taken on the matters pointed out. | Action should be taken to issue permits only for non-commercial activities of sand mining. |

### 3.2.2 State Lands Administration

No	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	According to Land Order No. 180, Land Commissioner General's Circular No. 2008/04 and Land Ministry Circular No.10 dated 15 June 1995, the securing state land from encroachment is a duty and responsibility of Divisional Secretary and Grama Niladharies. However, 04 acre State land in Kannakipuram Grama Niladhari Division had been encroached by two Grama Niladhary attached to Koralai Pattu Divisional Secretariat. Above said Grama Niladharies had served in the above division in the past. The Court case had been filed by the Divisional Secretariat at the Magistrate Court, Valaichenai against these encroachment. Subsequently, both of them had withdrawn from encroached land. However, disciplinary actions had not been taken against these Grama Niladharies for the misappropriation of State land under first schedule of offences committed by the Public Officers as per Chapter XLVII of the Establishments Code (Volume-II).	Action will be taken on the matters pointed out.	Disciplinary action should be taken against Grama Niladhary for Land Encroachment under Chapter XLVII of the Establishments Code (Volume-II).

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| (b) | 20 perch State land in extent had been encroached by a person near Mullai Housing Scheme in Kannakipuram Grama Niladhari division of the Koralai Pattu Divisional Secretariat, Valaichenai. The encroached state land is still under his possession by fencing. It had been observed in audit that encroacher had obtained electricity supply from Ceylon Electricity Board and water supply from National Water Supply and Drainage Board without any written authority of State.  | Action will be taken on the matters pointed out. | Actions should be taken to recover the possession of encroached land under State Land (Recovery of Possession) Act No. 7 of 1979 (As Amended).                                     |
| (c) | New alienation of 50 allotment on reserved State land for the public purpose near Housing Scheme in Kumpurumolai GN Division of Koralai Pattu Divisional Secretariat had been done to 50 persons who had not been selected by holding land kachcheri in accordance with Land Order No. 83 to 88 and Section 20 of Land Development Ordinance. Further, Blocking out Diagram (BOD) from the Survey Department, approval of District Land Use Committee and approval of the Provincial Land Commissioner/Land Commissioner General had not been obtained for the above new alienation of State land. The voter's lists of those people had been deliberately transferred to Kumpurumoolai GN division of Divisional Secretariat, Koralai Pattu with the intention of calling for land kachcheri. Most of them had not been resided in those lands. It had been observed in audit that above 50 allotments had been privatized by fencing and they had set temporary huts which were not adequate to live. | Action will be taken on the matters pointed out. | Actions should be taken against the officers involved in alienation of State Land and actions should be taken to alienate land as per the provision of Land Development Ordinance. |
| (d) | Number of proposal had been obtained by the Divisional Secretariat, Koralai Pattu requesting state lands under the long term lease. For that, the recommendation of Land Use Committee had been obtained to lease out state lands from 2011 to 2021. Although a hotel is being functioning its operation on six lots (Lot No. 101 to 107 except Lot No. 104) of the Plan No. PP MADA 1179 in Pasikudha, four lots (Lots No. 101/105/106 and 107) only had been  | Action will be taken on the matters pointed out. | Actions should be taken according to the State Land Ordinance, Land Order No. 217 and Land Commissioner General's Circular No.96/5.  |

surveyed and regularized under long term lease since 2020. Rest of two lots had not been regularized by the Divisional Secretary in accordance with the State Land Ordinance, Land Order No. 217 and Land Commissioner General's Circular No.96/5. Due to the omission of lots, lease revenue for said two lots (Lots No. 102 and 103) had been deprived to State offers since 2020.

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| (e) | According to the Land Commissioner's General Department letter No. 4/10/13520 dated 13 August 1987, the alienation of state lands for various purposes within the Municipal Council limit should be done only under State Land Ordinance and not under the Land Development Ordinance. However, land with an extent of 3 rood, 15 perches in Navalady Grama Niladhari Division of Divisional Secretariat, Mannunai North had been alienated by the Divisional Secretary of Manmunai North under the Land Development Ordinance in the year 2018 violating above instructions. In addition to that, that alienation had been exceeded the maximum fraction of land for residential purposes within the Municipal Council limit. | Action will be taken to reply as soon as possible. | Action should be taken according to the Land Commissioner's General Department letter No. 4/10/13520 dated 13 August 1987. |
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### 3.2.3 Acquisition of Lands

No.	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	Land acquisition process for the Faculty of Health Care Sciences, Eastern University had been started from 2009 and valuation report from the Department of Valuation had been obtained by the Divisional Secretary in the year 2016. Consequently, financial allocation for the above acquisition had been made for the payment to Land Reform Commission (LRC) in the year 2017. However, acquiring officer had not paid to Land Reform Commission as per the Section 17 of Acquisition Act. Such financial allocation had not	Action will be taken to reply as soon as possible.	Action should be taken to acquisition of land.



been utilized for the intended purposes by the District Secretary in the year 2017. As a result, above land had not been acquired even up to 31 December 2023.

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| (b) | Land had been acquired under the Land Acquisition Act for resettlement of Tsunami victims at Thiraimadu, Divisional Secretariat, Manmunai North Divisional area in the year 2005. According to Section 2 of Land Acquisition Act No. 09 of 1950, although lands had been acquired for the resettlement of Tsunami victims at Thiraimadu Grama Niladhari Division Divisional Secretariat, Manmunai North, 50 land lots had been alienated by the Divisional Secretary for public officers who were not victims of Tsunami. In addition to that, loans for the construction of houses had been provided by National Housing Development Authority (NHDA). Due to that alienation, purpose of land acquisition had been violated by the Divisional Secretary. | Action will be taken to reply as soon as possible. | Land should be utilized for acquired purposes according to the Section 2 of Land Acquisition Act No. 09 of 1950. |
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### 3.2.4 Administration of Lands for Middle Class Cashew Cultivation (MCC)

Audit Observation	Comment of the Accounting Officer	Recommendation
According to Land Order No. 125, Land Ledger in the specified format (LC 12) should be maintained for each land permits/land grants issued under Land Development Ordinance. In addition to that, instalment payments should be included by Government Agent/Divisional Secretary or Authorized Officer as per the Land Order No. 126. Although 10 acres land to each person had been allotted for 30 middle income families by Divisional Secretariat, Koralai Pattu, Valaichchenai, 22 permits (starting serial number from KP/MCC/Cash/001 to KP/MCC/Cash/020) only had been furnished for audit. It had not been confirmed in the audit whether rest of 8 people had been issued permits or not since the non-availability of such records in Land Ledger. As a result, it could not be confirmed that those lands are free from land encroachments.	Action will be taken to reply as soon as possible.	Action should be taken according to the Land Order No. 125.

### 3.2.5 Paddy Purchasing and Rice Distribution

No.	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	According to paragraph 2.3.7 of the Circular No. DFD/2023-1(II) dated 01 March 2023, paddy should be purchased for the farmers of Maha season of 2022/2023 for paddy disposal program. However, 30,202 Kg of paddy amounting to Rs. 3,020,200 had been purchased by the Divisional Secretariat, Koralai Pattu Central from two individuals who had not engaged in the paddy cultivation contrary to the above circular provision. As a result, prime objective of this program had not been achieved by the Divisional Secretariat/District Secretariat during the paddy purchasing in this District.	Action will be taken on the matters pointed out.	Action should be taken according to circular provisions.
(b)	According to paragraph 2 of the Circular No. Social Empowerment 01/2023 of Ministry of Women, Child Affairs and Social Empowerment, name list of beneficiaries for the rice distribution should be prepared by the Divisional Secretariats/District Secretariat without duplication / double entry of the beneficiaries. However, it had not been shortlisted by 05 Divisional Secretariats such as Manmuani North, Manmunai West, Eravur Pattu Eravur, Town and Koralai Pattu North. Furthermore, according to the shortlisted data submitted for audit, paddy had been excessively purchased worth Rs.1,311,244 for 374 beneficiaries by 05 Divisional Secretariats contrary to the Circular provision.	Action will be taken on the matters pointed out.	Action should be taken according to Circular provisions of Ministry of Women, Child Affairs and Social Empowerment.
(d)	According to the Circular No. DFD/2023-1(II) dated 01 March 2023, paddy purchasing and disposal program had been initiated with the objective of granting rice relief to the low-income families, elders and disease patients. However, 263,352 Kg of paddy amounting to Rs.26,007,898 had been purchased from 40 farmers and 800 Kg rice had been distributed to the same famer's families who had supply paddy to the paddy purchasing and rice distribution program in 6 Divisional Secretariat. Moreover, rice distribution program aimed to provide rice to very lower	Action will be taken on the matters pointed out.	Action should be taken to comply with the paragraph 2.3.7 of the Circular No. DFD/2023-1(II) dated 01 March 2023.

income family. However, 86369 Kg of paddy amounting to Rs. 8,636,794 had been purchased from a single family in Eravur Pattu Divisional Secretariat and 20 Kg rice bags had been distributed to the same family under Samurdhi waiting list.

### 3.3 Contract Administration

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The Rural Roads Development Project had been implemented by the District Secretariat of Batticaloa with an estimated total cost of Rs. 392.7 million for 4 Divisional Secretariats in Batticaloa District. Project had been approved and funds had been allocated by the Ministry of Transports and Highways. The main objective of the Rural Road Development Project is to provide thoroughfares by making sand roads into gravel road for the public access. However, graveling work had been carried out where no public or even single person had used for access. However, 22 lane works had been carried out just for 30 families with the estimated cost of 27,396,192. It was observed that five lanes had been constructed with the estimated cost of Rs. 6,735,000. However, no one lived there and lanes are not interconnected with other roads for public access.</p>	<p>Action will be taken to reply as soon as possible.</p>	<p>In the implementation of projects, total attention should be referred to use them efficiently</p>

### 3.4 Management Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>According to Section 1.6.1 of the Circular No. 08/2017 dated 31 March 2017 of the Director General of the Department of Samurdhi Development and Sub-Section (iv) of 03paragraph of Circular No. 2021/03 dated 18 February 2021, even though the action should be taken for stop the samurdhi relief payments after 06 months for those family members who went for abroad for employment, it was observed that without considering the above circular instructions, the Divisional Secretariat, Koralai Pattu South had been paid a sum of Rs. 12,653,839 as monthly samurdhi relief payments to 195 Samurdhi beneficiaries bank account.</p>	<p>Action will be taken on the matters pointed out.</p>	<p>Action should be taken according the Circular provisions.</p>

#### 4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The approved number of Development Officer in 14 Divisional Secretariats and District Secretariat in Batticaloa District was 175 and excess cadre working in those Divisional Secretariats and District Secretariat as at 31 December 2023 was 823. Therefore, the percentage of the excess cadre is 470 percentages. As a result, it was not possible to confirm whether those excess officers have been given any meaningful works or assignments.</p>	<p>We have already informed to the Ministry of Public Administration and Home Affairs and maximum assignment has been given.</p>	<p>Action should be taken to utilize the Development Officers for relevant works.</p>