

Head – 265 - District Secretariat, Mannar

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Mannar for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 containing my comments and observations on the financial statements of the District Secretariat, Mannar was issued to the Accounting Officers on 21 June 2021 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 30 July 2020 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 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the District Secretariat, Mannar as at 31 December 2020, and of its financial performance and its 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 responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Accounting Officer for the Financial Statements

The Accounting Officer is 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 such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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 annual and periodic financial statements to be prepared..

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 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, they could reasonably be expected to influence the economic decisions of users taken 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

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 and Regulatory Requirements

I express the following matters in accordance with Section 6(1)(d) of National Audit Act, No. 19 of 2018.

- (a) The financial statements are in consistence with that of the previous year.
- (b) Recommendations made by me regarding the financial statements of the previous year had been implemented.

1.6 Comments of the Financial Statements

1.6.1 Cash Flow Statement

Audit Observation	Comment of the Accounting Officer	Recommendation
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The value of total expenditure on the purchase and construction of non-financial assets had been overstated by Rs.4,609,854 in the cash flow statements than that value stated in the Statement of Non-Current Assets for the year under review.	Steps have been taken to rectify this error in collaboration with the States Accounts Department.	The cash flow statements should be in consistence with other subsidiary documents.

1.6.2 Non- maintenance and non-update of registers and books

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) An Inventory of Electrical Fittings had not been maintained in terms of Financial Regulation 454 (2).	Action is being taken to maintain it in the future.	An Inventory of all Electrical Fittings, apparatus etc, in Government Buildings, should be maintained in terms of Financial Regulation 454 (2).

(b) The Secretary of the Committee had not maintained an attendance register as required by Guideline 2.11.2 of the Government Procurement Guidelines.	Action is being taken to maintain it in the future.	An attendance register should be maintained in terms of Guideline 2.11.2 of the Government Procurement Guidelines.
(c) A damage caused to a vehicle owned by the District Secretariat had been overstated by Rs.150,832 in the Record of Losses and Damages.	Due to delay in compensating, the entire damage had been included in the books.	Actual damage should be stated accurately.

1.6.3 Lack of Evidence for Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
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As Work Completion Reports had not been prepared, transactions relating to a total sum of Rs.3,914,565 could not be satisfactorily verified in audit.	The heavy workload of the Technical Officers had resulted in this situation.	Action should be taken in accordance with Financial Regulation 780.

2. Financial Review

2.1 Imprest Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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Payments could not be made for 769 projects worth Rs. 164,916,826 completed in 2019 due to non-receipt of the imprests as requested.	Imprests could not be obtained for the year 2020.	Projects should be implemented by identifying the priority.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) There were savings of Rs.9,184,061 of total net provisions of 04 Objects and it had ranged from 07 per cent to 22 per cent of that provision.	Action will be taken to reduce savings in the preparation of future budgets.	Estimates should be prepared accurately.
(b) Provisions of Rs.7,026,000 existed in 07 Objects had been transferred to another 06 Objects.	Officers were instructed to prepare estimates properly in the future.	-Do-
(c) As provisions of 05 Objects had been inadequate, provisions of Rs.6,875,000 were transferred from 07 Objects which had savings more than 40 per cent.	-Do-	-Do-

2.3 Utilization of Financial Provisions Made by Other Ministries and Departments

Audit Observation	Comment of the Accounting Officer	Recommendation
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As capital provisions made by other ministries and departments had not been utilized for the intended purposes, provisions of Rs.10,734,527 were saved. It had ranged from 10 to 100 per cent of that provisions.	Covid-19 pandemic has contributed to this situation.	Action should be taken to use provision effectively.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations -----	Audit Observation -----		Comment of the Accounting Officer -----	Recommendation -----
	Value	Non-compliance		
	Rs.			
Public Administration Circular No. 11/2006 dated 14 July 2006	173,170	Executive level officials had obtained fuel advances for vehicles for which they had no obligation.	Action will be taken according to the circulars in the future.	Fuel advance should be obtained by the officers who use the vehicle.

2.5 Irregular Transactions

The following observations are made

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Contrary to the Ministry of Home Affairs Circulars No. 08/2019 dated 27 March 2019, the District Secretary had obtained Rs. 260,119 as Entertainment Allowance for the period from May 2019 to August 2020 in excess of the approved limit.	The increase in the conducting of meeting sessions caused additional costs.	Payments made in addition to the Entertainment Allowance should be recovered from the officer.

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| <p>(b) In accordance with Section 3 (ix) of Public Administration Circular No. 11/2006 and dated 14 July 2006, the District Secretary had obtained a monthly fuel allowance of Rs. 470,045 during the period from January 2019 to August 2020. However, in addition to that and contrary to that circular, fuel worth Rs. 444,875 had been obtained through government fuel orders.</p> | <p>In addition to the transport allowance allocated to the District Secretary, additional fuel had been provided due to the adverse situation in 2019, the epidemic situation in 2020 and the additional meetings held in Colombo.</p> | <p>If any amount had been spent additionally, it should be recovered from the officers.</p> |
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2.6 Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>No action had been taken in terms of Section 04 of Chapter XXIV of the Establishments Code to recover loan balance of Rs.334,572 due from 04 officers interdicted, and who had vacated the service.</p>	<p>Action has been taken to recover the dues.</p>	<p>Action should be taken to recover the outstanding loan balances from the guarantors.</p>

2.7 Deposits

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>(a) Twenty deposits older than 02 years that had been withheld for the contracts worth Rs. 1,585,834 were in the General Deposit Account. Further, there was a difference of Rs. 5,375 between the balance in the General Deposit Account as at 31 December 2020 and the balance as per the Treasury books as at that date.</p>	<p>Action is being taken to repay the retention deposits or transfer them to the Government Revenue and to clear the difference between the accounts.</p>	<p>Action should be taken according to the Financial Regulation 571 on the deposits and to find out reasons for the difference between deposit balances and clear such differences.</p>

<p>(b) A sum of Rs.425,752 had been credited to the deposit account considering that the tax had to be paid on behalf of the contractors who were not registered to pay Value Added Tax. No action had been taken to settle them although sufficient time had passed.</p>	<p>The owner has been instructed to obtain registration for tax and submit the same.</p>	<p>Action should be taken to credit the money to the Government Revenue as the unregistered contractors are not entitled to tax.</p>
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3. Operating Review

3.1 Failure to Achieve Expected Output Level

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>Although Rs. 1,169,870 had been paid in the year 2019 to 26 beneficiaries to construct chicken coops Under the Samurdhi Production Villages Programme, the money had been fruitless as none of those constructions had been carried out.</p>	<p>There was a delay in implementing the project. At present the construction of chicken coops is completed and used with proper instructions</p>	<p>After a physical inspection, the Work Completion Report should be obtained and payments should be made in accordance with the Financial Regulations.</p>

3.2 Abandonment of Projects Without Completing

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>Although the construction a the road, which was estimated to cost Rs. 10 million, was scheduled to be completed in November 2019, it had not been completed up to March 2021. Extension of date was requested for this and work was not completed as per the agreement, whereas a decision had not been taken immediately to cancel the agreement and credit the</p>	<p>An investigation committee has been appointed relating to this project. Action will be taken as per the committee report and replies will be given accordingly in the future.</p>	<p>Those construction works should be completed so as not to incur any loss to the Government.</p>

performance bond to the Government Revenue. As a result, the bond was redeemed by the contractor. Although the payments were made for the contractor for the raw materials brought to the site, they were being misplaced and destroyed due to a lack of specific arrangements for their protection. The government had incurred a loss totaling Rs. 1,995,318, including the value of the performance bond for this abandoned project, the cost of raw materials and the payments made to the contractor.

3.3 Delays in the Completion of Projects

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>For the construction of the vehicle yard, Information Technology Park and three storied building of the District Secretariat which was started in April 2018, a sum of Rs.52,694,249 had been paid in three phases up to 31 December 2020. However, in the fourth phase, two extensions were given and the work was to be completed in February 2021, whereas the project work costing Rs. 2,058,715 had not been completed even up to April 2021, during which the physical inspection was carried out.</p>	<p>Extensions have been granted up to 22 April 2021 at the capital work reviewing meeting. Fines will be charged for the delays.</p>	<p>Action should be taken to complete work within due timeline.</p>

3.4 Management Inefficiencies

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) Although a complaint was made in November 2019 regarding the misplacement of machinery at a sewing training center, the Mannar Divisional Secretariat had not given any response for the complaint.	Action has been take to conduct an investigation in this connection.	Suitable steps should be taken by completing investigations expeditiously.
(b) Although 49 payments totaling Rs.1,371,155 remained unidentified from the year 2015, no action had been taken to identify and settle them.	Action has been take to conduct an investigation in this connection.	Suitable steps should be taken by completing investigations expeditiously.

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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There were 206 staff vacancies of the District Secretariat and the Divisional Secretariats as at 31 December 2020.	Steps are being taken by the Ministry to fill staff vacancies.	Employees vacancies in the approved cadre should be filled depending on the service requirements.