

Head 266 – District Secretariat, Vavuniya

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Vavuniya 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 including my comments and observations on the financial statements of the District Secretariat, Vavuniya was issued to the Accounting Officer on 22 June 2021 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the District Secretariat in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 30 July 2021. This report will be presented 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 Paragraph 1.6 of this report, the financial statements of the District Secretariat, Vavuniya give a true and fair view of the financial position of the District Secretariat as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the 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 audit 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 Responsibilities 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines 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 annual and periodic financial statements to be prepared of the District Secretariat.

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 system 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 the report of the Auditor General 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 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 and Regulatory Requirements

I express the following matters in accordance with 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 relating to the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

Audit Observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
The value of Property, Plant and Equipment shown in the Treasury books as at 31 December 2020, had been overstated by Rs. 1,041,408 in the statement of financial position.	The difference had been caused by the erroneous entries made by the Department of State Accounts. Transfer sheets have been sent for correction.	Financial statements should be prepared avoiding any differences.

1.6.2 Cash Flow Statement

Audit Observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
The value shown in the statement of non-financial assets relating to the purchase of non-financial assets and constructions as at 31 December 2020, had been overstated by Rs. 9,422,591 in the cash flow statement.	Only the payments made on constructions and purchases will be shown in the cash flow statement in the ensuing years.	Financial statements should be prepared avoiding any differences.

1.6.3 Non-maintenance of Registers and Books

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Contrary to Guideline 2.11.2 of the Government Procurement Guidelines, the Secretary of the Committee had not maintained an attendance register.	A register of attendance will be maintained for the members from the year 2021.	The register should be maintained properly.
(b) A register of electrical fittings had not been maintained in terms of Financial Regulation 454(2)	Action will be taken in due course to maintain a separate register.	- Do.
(c) A register of official telephones had not been maintained in terms of Financial Regulation 845(1).	Action will be taken to use such a register.	- Do.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Thirty four per cent of the total provision made for a capital Object, had been saved.	This saving had occurred as a generator had not been purchased as planned.	The provision should be utilized to fulfill the objectives.
(b) The security service fee of the economic center in Vauniya amounting to Rs. 2,152,601 that should have been paid under recurrent Objects, had been paid under a capital Object.	Provision for paying security service fees had been released by the Line Ministry under a capital Object.	Each expenditure should be brought to accounts under the relevant Object.

2.2 Incurring Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
According to Paragraph 3.4 of Guideline 06 in the Public Finance Circular, No. 02/2020 dated 09 October 2020, the value of liabilities and commitments shown under Note (iii) to the financial statements should have been tallied with the statement of liabilities and commitments issued by the Treasury. Nevertheless, an un-reconciled difference of Rs. 81,081 existed between those values.	Such inefficiencies will be avoided in due course.	Liabilities should be reported in accordance with the instructions given in Circulars.

2.3 Utilization of Provision Provided by Other Ministries and Departments.

Audit Observation	Comment of the Accounting Officer	Recommendation
A sum of Rs. 1,253,750 representing 41 per cent of the recurrent provision received from a Ministry had been saved. Savings of the capital provision received from 03 other Ministries and Departments, ranged between 06-57 per cent.	The savings had been caused by the delays in receiving bills and provision, and Covid-19 pandemic.	The received provision should be made use of on the intended purposes.

2.4 Certifications of the Accounting Officer

The Accounting Officer should have certified on the following matters in terms of Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been done so.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The Accounting Officer should 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. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.	Delegation of functions for financial control have been done in accordance with Financial Regulation 135. Action will be taken in due course as mentioned by you.	Provisions of Section 38 of the National Audit Act, No. 19 of 2018 should be followed.
(b) The Chief Accounting Officer and the Accounting Officer should ensure that all the audit queries are replied within the specified time as required by the Auditor General. However, audit queries had not been replied contrary to Paragraph 3.7 of the report.	The audit queries received in Sinhala had to be translated and forwarded to the relevant institutions thus causing a delay in receiving replies. Action will be taken in due course to avoid this situation.	- Do.

2.5 Non-compliances with Laws, Rules, and Regulations, etc.

Audit Observation ----- Reference to Laws, Rules and Regulations -----	Non-compliance -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Financial Regulation 395 (c) of the Democratic Socialist Republic of Sri Lanka.	The bank reconciliation statement of the District Secretariat for December 2020, had been presented to the Audit on 18 February 2021.	Caused by the delay in receiving monthly bank account details.	The bank reconciliation statement should be presented to the Audit on time.
(b) Paragraph 3.4 of Guideline 06 relating to the preparation of financial reports in the Public Finance Circular, No. 02/2020 dated 09 October 2020.	Liabilities totaling Rs. 81,081 that the Treasury had not reported on in the year under review, had been settled in the year 2021.	This is an accounting error. Action will be taken in due course to avoid such errors.	Liabilities should be properly reported to the Treasury.

2.6 Reconciliation Statement on the Advances to Public Officers Account

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Action had not been taken during the 04 preceding years in terms of Section 04 of Chapter XXIV of the Establishments Code to recover the sum of Rs. 381,912 from an interdicted officer.	The said officer has been attached to the duties again and action has been taken to settle the outstanding loan balance.	The outstanding loan balances should be recovered without delay.

3. Operating Review

3.1 Planning

Audit Observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
An Action Plan for the years 2019 and 2020 had not been prepared properly in terms of Public Finance Circular, No. 2014/01 dated 17 February 2014.	Corrective measures will be taken on the inefficiencies of the Action Plan.	The Action Plan should be prepared in accordance with the relevant Circular.

3.2 Failure to Achieve the Expected Benefits

Audit Observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
The economic center in Vavuniya constructed by the Ministry of Rural Economic Affairs at an estimated value of Rs. 291.64 million, had been handed over to the District Secretariat in the year 2018. However, action has not yet been taken to make use of the center.	Approval of the Line Ministry for declaring the center open, has not been received.	Action should be taken to fulfill the objectives for which the center was established.

3.3 Losses and Damages

Audit Observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
A sum of Rs. 223,200 had been paid for undone works when constructing the building of the Divisional	Some of the works out of the items of work not done, have been executed. The rest of the works is in progress.	Payments made on the undone works should be recovered. Proper

Secretariat, Vauniya North. Although a sum of Rs. 3,338,560 had been paid for the raw materials remained at the site, no proper records had been maintained on the stocks.

records should be maintained for the stocks of raw materials.

3.4 Contract Administration

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) The work plan should have been presented within a period of 14 days since the commencement of works in accordance with the conditions of the contract that had been agreed upon. Nevertheless, work plans relating to 03 capital works valued at Rs. 6,001,700 had not been presented.	Action will be taken to obtain the work plans on time in due course.	The work plan should be presented within a period of 14 days after commencing the work.
(b) Four capital works worth Rs. 22,692,910 had been executed without conducting progress review meetings.	Such meetings will be held in due course.	Progress review meetings should be held for the work plans.

3.5 Unused Assets

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Three vehicles belonging to the planning office of the District Secretariat remained unused for over 10 years.	After being recommended that repairing of the vehicles is not productive, action has been taken for disposal.	Should be disposed productively.

3.6 Uneconomic Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
The economic center in Vavuniya remains unused from the year 2018 up to the present day. As such, the expenses totaling Rs. 3,922,195 incurred by the District Secretariat during that period, had become uneconomic.	Had the maintenance works not been done until the center is declared open, the center is likely to become unusable. As such, action has been taken to maintain the center by ensuring its safety.	The center should be declared open so that the expenses incurred would not be in vain.

3.7 Failure to Reply the Audit Queries.

Audit Observation	Comment of the Accounting Officer	Recommendation
Three audit queries remained without being replied over periods ranging from 03 to 08 months.	Replies will be given once the investigation is completed.	Action should be taken to reply the audit queries within the specified duration.

4. Good Governance

4.1 Internal Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
The Internal Audit Plan for the year under review had not been prepared in terms of Circular, No. DMA01-2019 of the Department of Management Audit, dated 05 January 2019	Once approval of the management committee meeting is obtained, this plan will be made available in due course.	Dully prepared Internal Audit Plan should be made available to the Audit after being approved.

5. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
As of 31 December 2020, there existed 75 vacancies in the staffs of the District Secretariat and the Divisional Secretariats.	As the District Secretary is not entrusted with the authority to make appointments, particulars on the staff are informed to the connected Ministries twice a month, thus making new appointments and transferring the officers from time to time.	Vacancies in the approved posts should be filled by considering the service requirements.