

Head 268 - District Secretariat, Kilinochchi

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Kilinochchi 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 statements 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, Kilinochchi was issued to the Accounting Officer 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 relating to the District Secretariat was issued to the Accounting Officer on 13 July 2021 in terms of Section 11 (2) of the Audit Act. This report will be tabled in 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, Kilinochchi as at 31 December 2020, 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 matters described in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the District Secretariat exists,

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 Responsibility 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 audit 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:

- 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, significant audit findings, any significant deficiencies in internal control and other matters 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) That the financial statements are not consistent with the preceding year

When comparing the balance of non-financial assets relating to the year 2019 indicated in financial statements of the year under review, with the opening balance of those

assets of the year under review according to Treasury Books, an unreconciled difference of Rs.1,672,745 was observed.

- (b) The recommendations made by me on 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 -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The total of opening balances in the statement of non-financial assets submitted along with financial statements of the year under review had not reconciled with the balance of those assets in the statement of financial position of the preceding year. As such, the value of non-financial assets of the year under review had been understated by Rs. 8,375,267 as compared with the preceding year.	This error had occurred by mistake and action will be taken to rectify it in the ensuing year.	Financial statements should be prepared accurately.
(b) The value of non-financial assets had been overstated in the financial statements by Rs.3,945,967 than the value of balance of said assets indicated as at 31 December 2020 according to Treasury Books.	Had not replied.	Financial statements should be prepared accurately.

1.6.2 Lack of Evidence for Audit

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
A sum of Rs.3,294,792 had been paid for 20 pay-in-vouchers by the Poonakary Divisional Secretariat without documents for confirmation of payments.	As documents pointed out by the Audit were available in files, those had not been submitted along with pay-in-vouchers. Instructions have been presently given to submit them along with pay-in-vouchers.	Audit evidence for payments should be submitted along with pay-in-vouchers.

2. Financial Review

2.1 Imprests Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Imprests of Rs. 1,226,284,861 applied for by the District Secretariat from the Treasury had not been received. As such, it was unable to utilize provision made by Parliament and to complete projects as planned.	Imprests had not been received from the Treasury. However, current payments have been made by indicating relevant payments as bills in hand.	Priority should be given for activities as per the requirement.

2.2 Expenditure Management

The following deficiencies were observed.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A sum of Rs.1,709,145 representing 27 per cent of the total net provision relating to 04 Capital Objects had been saved.	There were difficulties in planning by calling for quotations due to Covid 19 pandemic.	Remedial action should be taken to carry out planned activities to a satisfactory level.
(b) Savings out of initial provision relating to 09 Recurrent Objects had ranged between 01 per cent and 43 per cent and excess out of initial provision relating to 07 other objects had ranged between 01 per cent and 26 per cent. Moreover, there was an Object of which entire provision had been saved.	Additional expenses had increased due to Covid 19 pandemic.	Estimates should be prepared accurately.

2.3 Reconciliation Statement on Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Reconciliation Statement on Advances to Public Officers Account, steps had not been taken so far to recover a balance of Rs. 820,425 older than 10 years, recoverable from officers who had left the service and who had been suspended from the service.	Action is being taken to recover outstanding loan balances of officers.	Steps should be taken to recover outstanding loan balances duly.

2.4 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Steps had not been taken by the District Secretariat and Divisional Secretaries in terms of Financial Regulation 571, in respect of 36 deposits totalling Rs.5,424,688 older than 02 years.	Payments had been made and action has been taken to make further payments.	Action should be taken in terms of Financial Regulation 571.
(b) A sum of Rs.3,274,966 received from other Ministries and Departments had been retained in the Deposit Account for a period between 01 and 03 years without utilizing for relevant purposes.	Action will be taken to release certain deposits, to credit certain deposits to the revenue and to commence projects from remaining deposits.	Action should be taken in terms of Financial Regulation 571.

2.5 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Contrary to paragraph 4.11 of State Accounts Guideline No.05/2020, recurrent expenditure of Rs.874,403 and capital expenditure of Rs.2,818,046 had been settled in the year 2021.	Such situation had arisen due to failure in carrying out activities together with officers as a result of Covid 19 pandemic.	Commitments and liabilities should be disclosed in terms of the circular.
(b) A sum of Rs.100,823,363 had been incurred for liabilities due to failure in making payments for activities carried out by spending capital expenditure due to non-receipt of imprests.	Payments had been made for projects presented as commitments due to non-receipt of imprests.	Action should be taken to settle liabilities without delay.

2.6 Utilization of Provision made available by other Ministries and Departments

Audit Observation	Comments of the Accounting Officer	Recommendation
A sum of Rs.95 million representing 7 per cent out of provision made available by 54 other Ministries and Departments for various activities had been saved in the year under review.	Even though most of the provision had been received for training courses and social programmes, those could not be conducted due to Covid 19 pandemic.	Priority should be given for activities as per the requirement.

2.7 Certification of the Accounting Officer

Audit Observation	Comments of the Accounting Officer	Recommendation
The Chief Accounting Officer and the Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor-General. However, 09 audit queries valued at Rs.36,773,749 had not been replied.	Relevant officers have been instructed. It will be ensured that replies will be given duly.	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.

2.8 Non-compliance with Laws, Rules and Regulations

Non-compliance with laws, rules and regulations observed during the course of audit test checks are given below.

	Audit Observation		Comments of the Accounting Officer	Recommendation
	Reference to Laws, Rules and Regulations	Value Non-compliance		
		Rs.		
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulations 260(i) and 389(a)	546,684	In making payments by the Poonakary Divisional Secretariat, there were instances in which officers in charge of the subject had	Action has been taken at present to deposit such cheques in the bank.	Action should be taken in terms of Financial Regulations.

			obtained cheques instead of issuing to the payee.		
(ii)	Financial Regulation 371(2)	340,550	Even though the relevant purpose had been completed, Sub-imprests granted had been settled with a delay.	It could not be settled within the due period due to Covid 19 pandemic.	Action should be taken in terms of Financial Regulations.
(iii)	Financial Regulation 754	-	There had been no procedure to balance the Inventory Book annually.	The Officer In Charge of the Subject has been instructed to balance it duly in the future.	Action should be taken in terms of Financial Regulations.
(b)	Public Administration Circular No.30/2016 of 29 December 2016	-	A test for fuel consumption had not been carried out for 09 vehicles.	Action has been taken to carry out a fuel test.	Action should be taken in terms of circulars.
(c)	Circulars of the Land Commissioner General's Department				
(i)	Circular No. 2017/01 of 04 July 2017	-	A number of 169 business institutions are operated for over a period between 08 and 10 years by using properties granted by the Government. However, steps had not been taken to recover lease rental by entering into agreements with property holders.	The Survey Department has been informed to prepare plans and accordingly, further steps will be taken therefor.	Action should be taken in terms of circulars.
(ii)	Paragraphs 5 (iii) and 6 (c) of the Circular No.96/05 dated 01 August 1996	7,875,400	Outstanding lease rentals of Rs.7,875,400 had not been recovered from lands leased out from the year 2014 to the year 2020.	Action has been taken to recover them.	Outstanding rentals and lease rentals should be recovered.

2.9 Irregular Transactions

----- Uncertified Transactions -----

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Pay-in-vouchers valued at Rs.1,972,810 had not been certified in terms of Financial Regulation 138 by the District Secretariat and Poonakary Divisional Secretariat .	Pay-in-vouchers of the Poonakary Divisional Secretariat have been certified at present. The reply given by the District Secretariat was not clear.	All payments should be certified in terms of Financial Regulation 138.

2.10 Operating Bank Accounts

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Contrary to Financial Regulations 137 and 138, eighteen cheques valued at Rs.2,765,485 had been written and retained in the office by the District Secretariat and Divisional Secretariats before receiving Goods.	All cheques have been issued to relevant persons and those have been transferred.	Action should be taken in terms of Financial Regulations.

3. Operating Review

----- 3.1 Planning -----

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
An Action Plan for the year 2020 had not been prepared in terms of Public Finance Circular No.2014/01 of 17 February 2014.	Plans were not prepared due to allocation of provision in four installments and due to Covid 19 pandemic.	Action should be taken in terms of circulars.

3.2 Delays in Execution of Projects

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Three projects valued at Rs.5.1 million as well as projects costing Rs.394,803 of projects implemented under provision made	Action has been taken to make payments by completing project	Action should be taken to complete all projects within the

by the Ministry to be completed in December 2020 by the Kilinochchi District Secretariat, had not been completed even up to June 2021.

activities. period of the agreement.

3.3 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
Annual Performance Report had not been made available to Audit in terms of Guideline 14 of Public Finance Circular No. 2/2020 of 28 August 2020.	Even though the said Report had been signed by the Chief Accounting Officer before due date, it could not be submitted on due date owing to Covid 19 pandemic. However, the extra copy has been made available to sub audit office on 24 February 2021.	Action should be taken in terms of circulars.

3.4 Underutilized or Idle Assets of Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
Buildings and equipment valued at Rs.28,756,571 provided to Multi-purpose Co-operative Societies had remained underutilized over a period of 02 years.	Steps have been taken to utilize them. Manufacture of oil is being carried out. Moreover, production activities are carried out by operating the paddy mill together with a private party.	Appropriate measures should be taken to utilize relevant assets.

3.5 Officers required to give Security

Audit Observation	Comments of the Accounting Officer	Recommendation
According to Financial Regulation 880 and Circular No.07/2019 of 23 March 2019 of the Ministry of Home Affairs, securities from 04 officers in the Pachchilapalli and Poonakary Divisional Secretariats had not been obtained.	Action has been taken to recover them.	Action should be taken in terms of circulars.

3.6 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
The report of the Investigation Committee appointed in September 2020 to conduct investigations in respect of questionable purchases valued at Rs.2,671,969 made from 03 business institutions during the year 2019 by the Karachchi Divisional Secretariat, had not been made available to Audit.	The said investigation report had not been received.	Proper action should be taken after completing investigations.

3.7 Losses and Damage

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Overpayments of Rs.13,500 made to officers of the Procurement and Evaluation Committee had not been recovered.	Delays had occurred in reaching decisions due to Covid 19 pandemic.	Action should be taken to recover overpayments from relevant parties.
(b) A sum of Rs. 142,988 had been overpaid for the construction of a wall around a school.	Action is being taken to recover them.	Overpayments should be recovered.

4. Achievement of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
Sustainable development goals and targets relating thereto had not been identified even by 30 April 2021 by the Kilinochchi District Secretariat.	Sustainable development goals had not been identified due to Covid 19 pandemic. Plans have been prepared at present.	Sustainable development goals should be identified and achieved.

5. Good Governance

5.1 Rendering Services to the Public

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Three gravel roads constructed in the year 2020 by spending Rs.3,960,000 by the Poonakary Divisional Secretariat had dilapidated severely within a short period, by March 2021 and as such, the public have run into difficulties. However, a positive step had not been taken therefor.	As construction of those roads had been carried out under the supervision of the Pradeshiya Sabha, a report thereon has been summoned from the Pradeshiya Sabha.	Roads should be properly constructed.

6. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Contrary to Public Administration Circular No.18/2001 of 22 August 2001 and provisions in the Gazette Extraordinary No.1589/30 of 20 February 2009, a number of 74 officers who serve in the District Secretariat and Poonakary Divisional Secretariat, are serving in the same Station for a period from 06 years to 23 years.	Officers who have served a maximum period of five years have applied for annual transfers. However, officers who have not applied accordingly, will be transferred by the Transfer Board.	Action should be taken in terms of circulars.
(b) Action had not been taken to fill 51 vacancies as per the requirement.	It is expected to reach a decision in this connection at the next meeting of District Secretaries.	Action should be taken to fill vacancies.