

Head – 269 - Batticaloa District Secretariat

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Batticaloa District Secretariat 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 Batticaloa District Secretariat 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 was issued to the Accounting Officer on 20 July 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to Parliament 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.

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 Batticaloa District Secretariat 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 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 Batticaloa 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 Batticaloa 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 judgement 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 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 on the Financial Statements

1.6.1 Capital Expenditure

Audit Observation

The capital expenditure for the year under review had increased by Rs.522,245 due to accounting for losses incurred due to motor vehicle accidents under capital expenditure.

Comments of the Accounting Officer

Due to receipt of insurance money in the year in which the accident occurred, the money was not debited to the Expenditure Ledger in the relevant year and added to the Revenue Account in accordance with Financial Regulation 107 (3).

Recommendation

Losses due to vehicle accidents should be accounted for in accordance with the Financial Regulations.

2. Financial Review

2.1 Revenue Management

Audit Observation

In terms of Circular No. 04/2016 of the Ministry of Public Administration and Management although an administrative officer living with a family in a government official quarters should be charged 12.5 percent of the basic monthly salary; the government has lost Rs.295,652 in revenue due to charging only economic rent from one officer since 2010.

Comments of the Accounting Officer

The rent of the relevant officer is being charged from January 2021 in accordance with the Establishments Code and Circular.

Recommendation

The rent to be charged should be obtained as per the circular instructions.

2.2 Certification of Accounting Officer

Audit Observation

The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system is set up and maintained for the financial control of the District Secretariat and although the effectiveness of the system should be reviewed from time to time and necessary changes should be made to ensure that the system runs efficiently, and such reviews should be made in writing and a copy should be submitted to the Auditor General, but statements that such reviews had been made had not been submitted to the audit.

Comments of the Accounting Officer

An action plan, a procurement plan, etc. have been prepared for the year 2020 as well and the responsible officer has been notified to prepare the delegation of authority and send you a copy in accordance with Monetary Regulation 135,

Recommendation

Action should be taken in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.

2.3 Deposits

Audit Observation

In terms of Section 3 (a) of Financial Regulation 215, it is stated that when a payment is intended to be made, it should not be transferred to a separate deposit account, Contrary to that, Rs.10,133,552 had been paid by the District Secretariat and 02 Divisional Secretariats under the heading No. 6000-0-0-13-0-66.

Comments of the Accounting Officer

Action will be taken to prevent such things in the future.

Recommendation

Financial regulations regarding deposits should be followed.

2.4 Irregular Transactions

Audit Observation

Although the fingerprint machine of 09 Divisional Secretariats is in operation, a sum of Rs.1,206,229 had been paid as overtime allowances and holiday allowances without keeping the fingerprint in the fingerprint machine on holidays and weekends.

Comments of the Accounting Officer

Steps have been taken to ensure that these mistakes do not occur in the future.

Recommendation

Payments should be made on the basis of fingerprints as per the provisions of the Public Administration Circular.

3. Operating Review

3.1 Management Weaknesses

Audit Observation

(a) The contractor had not carried out the maintenance of the Periya Kalaru Beach Park in the Eruvilpattu Divisional Secretariat area in Manmunai South, which was constructed with a financial allocation of Rs. 4.6 million and Items worth Rs.2,351,250 installed in it were broken.

Comments of the Accounting Officer

Although the contractor is guaranteed to rectify the deficiencies, repairs have been delayed due to the Covid 19 weather.

Recommendation

Workplace maintenance services should be obtained during the contractor's warranty period.

(b) Government quarters were not provided by the nature of the post in terms of Section 03 of Chapter XIX of the Establishments Code and quarters were reserved without giving priority to those on the waiting list. Further, no action was taken to terminate the lease agreements which lasted for more than 5 consecutive years and no fines was levied for rent.

Steps will be taken to formalize and provide these in the future.

According to the provisions of the Establishments Code, rents should be re-assessed and fines should be levied.

3.2 Non-achievement of expected Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although Rs. 13 million had been allocated to the Koralai Pattu Divisional Secretariat for Rural Economic Development and Infrastructure Development Programs, the completion level of the relevant projects had not been reached due to shortcomings in the beneficiary selection process for those programs.	Measures will be taken to recover items donated by one project from the beneficiaries who have received livelihood assistance through two projects and to provide to the beneficiaries who have not received livelihood assistance through government projects up to now.	Programs should be implemented in such a way that the benefits are effectively distributed.
(b) Under the Joint National Cooperation Program, Rs.250,520 was provided to the Koralai Pattu Divisional Secretariat and 28,844 beneficiaries were provided with fruit and grain plants for the purpose of housing economic development, but a large number of fruit and grain plants were destroyed.	Plants destroyed by the rains are being replanted and advises were given to maintain.	Programs should be implemented taking into account the information about the appropriate time and the ability of the beneficiary to execute the project.

3.3 Non-achievement of expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
Although Rs. 16.96 million has been allocated for the construction of a market building in the Eravur Pattu Divisional Secretariat Division under the Economic Strengthening and Social Infrastructure Development Program, due to the change in the proposed plan, the construction costing at Rs.2,608,321 had not been completed and the building was not even used effectively.	When the water supply system was repaired and ready to supply water, delays in operations were caused by the Covid-19 environment.	Steps should be taken to implement programs in such a way as to achieve the objectives of the relevant project.

3.4 Projects abandoned without executing

Audit Observation

Although provision of Rs. 1,705,000 had been made to encourage 79 entrepreneurs in the Koralai Pattu South Divisional Secretariat Division in 2019 for the Industrial Entrepreneurs Promotion Program under the “Nanwamu Lanka Program” of the Ministry of Industry, the program was abandoned by the Divisional Secretariat due to shortcomings in the selection of beneficiaries.

Comments of the Accounting Officer

All operations related to this project have been suspended as per the instruction letter No. BD/GPS155/09/01/HA-2019 dated November 20, 2019 of the Ministry of Finance.

Recommendation

Steps should be taken to implement the programs for which financial provision has been made, in a timely manner.

4. Human Resource Management

Following observations are made.

Audit Observation

(a) The administration of the Divisional Secretariats and their divisions has been slow due to non-recruitment of permanent officers for 97 vacant Grama Niladhari posts and 39 Management Assistant Service officers.

(b) 106 Development Officers were recruited outside the approved carder.

Comments of the Accounting Officer

These vacancies will be filled up when suitable officers are appointed.

Steps are being taken to increase the number of posts.

Recommendation

Action should be taken to fill the vacancies taking into consideration the service requirements

Recruitment should be done in accordance with the approved number of employees.