

Head 267- District Secretariat, Mulathiv

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Mulathiv for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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, Mulathiv was issued to the Accounting Officers on 21 June 2022 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 15 August 2022 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, Mulathiv as at 31 December 2021, 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 the 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 Chief Financial Officer and Financial 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 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 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 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 skepticism 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 Accounting Deficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) A difference of Rs.4,394,851 had been prevailed between the expenses of purchasing capital assets during the year under review as per statement of financial performance and treasury books.	It will be settled promptly by discussing with the Department of Treasury Accounts.	Measure should be taken to identify the variances.
(b) A difference of Rs.22,539,817 had been prevailed between non-current assets values as per statement of financial performance and treasury books.	The required facilities were not provided by the treasury formats for work-in-progress.	- Do -
(c) There was a difference of Rs.5,811,266 between the non-current asset value as per financial statements as at 31 December of preceding year and the opening balances of those assets in the year under review.	Errors were rectified.	- Do -
(d) No Evidences for the Audit		

Audit Observation	Comment of the Accounting Officer	Recommendation
The detailed supporting for asset balances of Rs.8,589,845 included in non-current assets and assets balances of Rs.1,210,995 that removed from non-current assets had not been presented to the audit.	In order to rectify the accounting errors, Rs.8,589,845 had been added to the opening balance. The details of removed assets are presented to the audit through annual Board of Surveys.	There should be sufficient and suitable evidences regarding transactions.

2. Financial Review

2.1 Imprest Management

Audit Observation

As the treasury did not issue the imprest of Rs.103,050,000 for 08 capital and recurrent Objects, the approved financial provision was prevailed without utilizing.

Comment of the Accounting Officer

The imprest had not been received from treasury as the provision was returned as per the instructions of line ministry.

Recommendation

The received imprest should be utilized optimally.

2.2 Expenditure Management

Audit Observation

Rs.250,000 was transferred from 02 recurrent Objects to other Objects and, the provision of Rs.393,000 had been obtained by transferring to those Objects same day.

Comment of the Accounting Officer

Actions will be done to avoid such errors considering your comments.

Recommendation

The provisions should be transferred by identifying requirement properly.

2.3 Non-compliance to Laws, Rules and Regulations

Audit Observation

The copies of agreements of contract works done by the Divisional Secretariats had not been presented to the audit as per Financial Regulations 702(3).

Comment of the Accounting Officer

Measures were taken to present the copies to the audit.

Recommendation

It should be acted as per Financial Regulations.

2.4 Utilization of Provisions Given by Other Ministries and Departments

Audit Observation

The provision savings of 28 capital and recurrent Objects in the year under review was Rs.20,061,107 and, it was remained in the range of 08 per cent and 100 per cent out of net provision.

Comment of the Accounting Officer

The savings was prevailed due to had to act as per various circulars, pandemic condition, travelling difficulties, inability to hold meetings.

Recommendation

Provisions made should be utilized productively.

2.5 Improper Transactions

Audit Observation

A sum of Rs.3,256,460 for 08 payments had been paid by Pudukudiyiruppu and Oddusudan Divisional Secretariats in the year under review without approving as per Financial Regulation 137.

Comment of the Accounting Officer

It was rectified by now.

Recommendation

It should be acted as per financial regulations.

2.6 Advance Payments and Settlements

Audit Observation

- (a) Actions were not taken to recover a balance of Rs.527,134 that were old for a period of 05 years to 26 years and that should be recovered from interdicted, left the service, deceased and retired officers as per Section 4 of Chapter XXIV of Establishment Code of Democratic Republic of Sri Lanka.

Comment of the Accounting Officer

Measures were taken to recover.

Recommendation

It should be acted as per Establishment Code.

(b) An amount of Rs.18,334,125 that given for 02 farmer cooperative societies during the period of 2014/15 by District Secretariat for purchasing paddy had not been recovered so far.	The recovery actions were being taken.	It should be acted to recover all money without delaying.
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2.7 Deposit Balances

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Action had not been done regarding 02 deposits with sum of Rs.1,800,000 in District Secretariat and Thunukkai Divisional Secretariat even at the end of the year under review as per Financial Regulation 571 of Democratic Republic of Sri Lanka.	It was acted to settle as scheduled.	It should be acted as per financial regulations.
(b) It had been retained Rs.2,250,000 that given to District Secretariat in year 2021 by Lanka Mineral Sand Company Limited for purchasing of lands in the deposit account for the period of more than last 09 years without using for the relevant objectives.	The land acquisition works had been delayed as the original owners were died.	Measures should be taken to use for the relevant objectives.

3. Operating Review

3.1 Asset Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Although an oil production machine was purchased at Rs.1,484,000 in year 2020 by Oddusudan Divisional	It was informed that this machine could be used after receiving the electricity connection.	Required measures should be taken to utilize this machine without delaying.

Secretariat and handed over to the Thirumurugandi Grama Development Society, that machine had not been utilized so far.

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| (b) 03 water bowsers given to 03 Divisional Secretariat for more than 01 year, a tractor prevailed in the premises of District Secretariat for more than 05 years had been remained unusably. | Measures are being taken to use. | Measures should be taken to not to keep assets unusably. |
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3.2 Losses and Damages

Audit Observation

It had been paid without deducting delay charges of Rs.142,321 for the delayed 154 days to complete a construction project implemented in Muhudubadapaththuwa Divisional Secretariat.

Comment of the Accounting Officer

The payments had been made without charging fines in order to motivate social level associations.

Recommendation

the delay charges should be charged for the delays as per agreements.

4. Human Resource Management

Audit Observation

(a) There were 295 vacancies and 119 excess in cadre in District secretariat and Divisional Secretariats under that as at 31 December 2021.

Comment of the Accounting Officer

Actions are being taken.

Recommendation

Measures should be taken to fill the vacancies as required and assign the excess productively.

(b) The arrival and departure of the officers in Maanthai East Divisional Secretariat had not been verified by finger prints as per Public Administration Circular No. 09/2009 dated on 16 April 2009.

Actions were done to purchase a new machine as the finger print machine was inactive.

It should be acted as per provisions in the circulars.