

Head 275 – District Secretariat, Polonnaruwa

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the District Secretariat, Polonnaruwa for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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, Polonnaruwa was issued to the Accounting Officer on 29 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 24 May 2019. 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 the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the District Secretariat, Polonnaruwa as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

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 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 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.

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 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 summary 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, 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.
- In order to design audit procedures that are appropriate in the circumstances, an opinion on the effectiveness of the District Secretariat's internal control is not expressed.
- 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 fair and reasonable manner.
- In the overall presentation, structure and content of 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 accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were in consistent with the preceding year.

- (b) Since there was no requirement for the District Secretariat, Polonnaruwa to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on financial statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

In accounting recurrent expenditure relating to the financial statements, the following deficiencies were observed.

| | Audit Observation | Recommendation | Comments of the Accounting Officer |
|------|---|--|---|
| (i) | A difference of Rs.369,271 in one object existed between the monthly accounts summaries of the District Secretariat in the year 2018 and the Treasury Computer Printouts. | Imbalances between the monthly accounts summaries of the District Secretariat and the Treasury final statement of accounts need to be reconciled. | The error has been corrected in terms of paragraph 4 of the circular No.266/2018 of the Department of State Accounts. |
| (ii) | The value of liabilities totalling Rs.499,224 paid by the Dimbulagala District Secretariat during the year 2019 relating to the year 2018 had not been shown in the statement of commitments and liabilities of the financial statements. | Being specifically identified liabilities as at the end of the year under review it should be shown in the statement of commitments and liabilities presented along with the financial statements. | Agreed with the audit observation. |

(b) Reconciliation statement of the advances to public officers account

| | Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|--|
| | According to the consolidated reconciliation statement, a loan balance of Rs.241,772 of an officer of the Lankapura Divisional Secretariat is shown under the loan balances need to be settled to various Ministries/ | Being reconciled the differences of individual balances, account balances need to be corrected. | In the reconciliation statement presented by the Lankapura Divisional Secretariat it is stated under Schedule No.3.9 |

Departments but such a loan balance is not shown in the reconciliation statement prepared by the Divisional Secretariat, Lankapura.

(c) Deposits

In paying and accounting balances of deposits relevant to the financial statements, the following deficiencies were observed.

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|---|--|
| According to the monthly accounts summaries and financial statements of the District Secretariat, a debit balance of Rs.134,259 was shown as at 31 December 2018 in the deposit account bearing No.6000-0-0-17-0030. | Method of accounting needs to be corrected. | Agreed with the audit observation. |

(d) Property, Plant and Equipment

In accounting property, plant and equipment, the following deficiencies were revealed.

| Audit Observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|---|---|--|
| (i) According to the Form ACA-6 presented with the financial statements, the correct opening balances of non-current assets totalled Rs.1,231,513,599 but its total has been stated as Rs.1,138,813,599. | The correct value needs to be shown in the preparation of financial statements. | Agreed with the audit observation. |
| (ii) According to the financial statements, the balance of property, plant and equipment in the statement of financial position as at 31 December 2017 was stated as Rs.1,031,626,754 but that balance shown as at 01 January | Closing balances of the previous year need to be reconciled with the opening balances of the year under review. | Agreed with the audit observation. |

2018 amounted to
Rs.1,138,813,599.

1.6.2 Assurance to be made by the Chief Accounting Officer/ Accounting Officer

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| (i) The Chief Accounting Officer or the Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor General, but audit queries had not been answered as stated in paragraph 3.11 of the report. | Action needs to be taken in terms of section 38 of the National Audit Act No.19 of 2018. | Agreed with the audit observation. |
| (ii) Even though, the Chief Accounting Officer or the Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit, that requirement had not been fulfilled as per observations mentioned in paragraph 5.2 of the Report. | Action needs to be taken in terms of section 38 of the National Audit Act No.19 of 2018. | Not given an acceptable reply. |

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

| Audit Observation | Recommendation | Comment of the Accounting Officer |
|---|---|--|
| <p>Reference to Laws, Value Non-compliance Rules etc.</p> <p>Rs.</p> | | |
| (a) Establishments Code of the Democratic Socialist Republic of Sri Lanka. | | |
| (i) Paragraph 7.1 of Chapter XIX - | Even though, the removal notices had been sent to 3 officers, occupied 3 government quarters belonging to | Agreed with the audit observation. |
| | Action needs to be taken to recover the possession of government quarters to the | |

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|------|---|-----------|--|---|------------------------------------|
| | | | the District Secretariat exceeding the agreement period under section 3 of the Act No.07 of 1996 of government quarters (Recovery of possession), action had not been taken to recover the possession of houses. | District Secretariat in terms of paragraph 7.1 of Chapter XIX of the Establishments Code | |
| (ii) | Paragraph 7.2 of chapter XIX | 138,535 | Penalties from 3 officers of the District Secretariat who occupied government quarters in excess of the lease period, had not been recovered. | Action needs to be taken to recover the penalty rent in terms of paragraph 7.2 of chapter XIX of the Establishments Code. | Agreed with the audit observation. |
| (b) | Financial Regulation of the Democratic Socialist Republic of Sri Lanka. | | | | |
| (i) | Financial Regulation 66, 69 | 1,238,647 | A sum of Rs.511,803 to be debited to objects 275-1-1-0-2102 and 275-1-1-0-1409 from object 275-1-1-0-2002-Rs.558,013 to be debited to object 275-1-1-0-1301 from 275-1-1-0-2003 and Rs.168,831 to be debited to object 275-1-1-0-1409 form object 275-1-1-0-1301 had been incurred by the District Secretariat | Approved needs to be obtained in terms of F.R.66 and 69. | No specific reply is given. |

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|-------|--|---------|--|--|---|
| | | | during the year 2018 without getting approval. | | |
| (ii) | Financial Regulation 669, 630, 104 (4) | 669,630 | A full report within 3 months in respect of losses incurred from accidents caused to 2 cabs belong to Welikanda and Dimbulagala Divisional Secretariats in 3 occasions had not been submitted. | In terms of F.R.104(4) a full report needs to be submitted within 3 months. | No specific reply is given. |
| (iii) | Financial Regulation 237 | 193,000 | In contravention of , the Financial Regulation 23, Divisional Secretariat, Dimbulagala had paid a total sum of Rs.103,000 for works of 8 projects carried out and a sum of Rs.90,000 for the purchase of potter's wheels under the Traditional Handicrafts Villages Development Programme. | Action needs to be taken in terms of Financial Regulation 237. | Relevant activities have been done now. |
| (iv) | Financial Regulation 315(1) | - | Without taking necessary action, daily collection money had been kept in the safe for a period of about 7 days in the Dimbulagala Divisional Secretariat. | Action needs to be taken in terms of Financial Regulation 315(1). | Instructed the Divisional Secretariat to correct it. |
| (v) | Financial Regulation 230, 371(2)(c) | 937,230 | Even though, the grant of sub-impressts should be limited to staff officers, advances totalling Rs.937,230 had been granted to non-staff officers in the year 2018 by the District Secretariat in | In terms of Financial Regulation 371(2)(c) a sub-impresst needs to be granted only to an officer of staff level. | As staff officers are limited, sub-impressts have been granted to non-staff officers under the supervision of staff officers. |

57 occasions.

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|-----|---|---|--|---|------------------------------------|
| (c) | Public Administration Circular No.30/2016 of 29 September 2016. | - | Fuel consumption of vehicles attached to the Divisional Secretariat and Dimbulagala, Welikanda, Medirigiriya, Elahera and Hinguraggoda Divisional Secretariats had not been tested in the year 2018. | Fuel consumption needs to be tested as per circular instructions. | Agreed with the audit observation. |
| (d) | Assets Management Circular No.02/2017 issued by the Ministry of Finance and Massmedia. | - | Four vehicles in Hinguraggoda Divisional Secretariat, 06 Tractor bousors in Welikanda Divisional Secretariats, 05 vehicles in Lankapura Divisional Secretariat, 5 vehicles in Thamankaduwa Divisional Secretariat have not been registered in the names of relevant Divisional Secretariats. | Action needs to be taken to acquire vehicle belong to the government in the names of relevant entities. | Agreed with the audit observation. |
| (e) | Paragraph 1.3.3(6) of the circular No.2008/4 dated 20 August 2008 of the Department of Commissioner of Lands. | - | Even though, land Kachcheries had been held by the Elagera and Medirigiriya Divisional Secretariats, the selection list had been published after delays from 75 to 251 days for primary objections. | Having being held land Kachcheries, the primary selection list needs to be published within 14 days for objections and obtained objections. | Agreed with the audit observation. |

2. Financial Review

2.1 Revenue Management

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| (a) Outstanding rents amounting to Rs.47,815 from the occupants of 2 official quarters in Hinguraggoda Divisional Secretariat had not been recovered. | Take action to recover the outstanding rent from the occupants of government quarters. | Agreed with the audit observation. |
| (b) House rent recoverable from a former Divisional Secretary who occupied the scheduled quarters of the Accountant at the Dimbulagala Divisional Secretariat who had gone on transfer to the Provincial Public Service, had not recovered. | Action needs to be taken to recover outstanding house rents being identified outstanding amounts. | Agreed with the audit observation. |

2.2 Issue and settlement of ad-hoc sub-imprest

The following observations are made.

| Audit observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| (a) In contravening the Financial Regulation 371(2)(b), ad-hoc sub-imprest more than Rs.100,000 had been issued to officers in 03 occasions by Welikanda Divisional Secretariat. | Sub-imprest should not be issued to a staff officer exceeding Rs.100,000 at a time. | Agreed with the audit observation. |
| (b) Even though, ad-hoc sub-imprest need to be settled within 10 day after the completion of the purpose in terms of Financial Regulation 371(5), sub-imprest totalling Rs.1,645,582 issued by the District Secretariat and 3 Divisional Secretariats in 43 occasions had been settled after the period of delays ranging | The sub-imprest obtained needs to be settled within 10 days after the completion of the purpose | Agreed with the audit observation. |

from 01 month 10 months.

2.3 Operation of Bank Accounts

Audit observation

According to the Bank Reconciliation Statement presented by the Divisional Secretariat, Elahera as at 31 December 2018 six unidentified payments valued at Rs.36,439 had existed.

Recommendation

Being identified the unidentified payments made by cheques action needs to be taken to account them.

Comments of the Accounting Officer

Agreed with the audit observation.

2.4 Advance Accounts Balances

The following observations are made.

Audit observation

- (a) Loan balances of Rs.582,060, recoverable from 2 officers who had been transferred to Provincial Councils and institutions, outstanding as at 31 December 2018 had not been recovered.

Recommendation

Being taking action in terms of National Budget circular No.118 of 11 October 2004 they need to be settled.

Comments of the Accounting Officer

The relevant institutions had been informed to settle the loan balance.

- (b) The loan balance due from deceased and retired officers as at the end of the year under review amounted to Rs.494,221.

Provisions in Section 4 of Chapter XXIV of the Establishment Code need to be followed.

The balance of Rs.254,645 had been referred to the Ministry of Home Affairs for write off in terms of F.R.109. The balance of Rs.87,476 had been recovered but not settled by accounting entries.

- (c) A loan balance of Rs.1,164,963 due from interdicted officers had existed.

Action needs to be taken to recover outstanding loan balances.

Legal action will be taken in future to recover outstanding loan balances.

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|-----|---|---|--|
| (d) | According to the reconciliation statement, the loan balances recoverable from 05 officers who had vacated their posts totalled Rs.318,336. Action had not been taken to recover same. | Action needs to be taken in terms of section 4.5 of chapter XXIV of the Establishment Code. | It was informed that legal action is being taken in respect of outstanding loan balance of Rs.167,144, the balance of Rs.86,783 being recovered from the surety and the balance of Rs.64,409 is being recovered. |
|-----|---|---|--|

3. Operating Review

3.1 Non-performance of functions

The following observation is made.

| Audit observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| 176 projects stated in the action plan prepared by the Divisional Secretariat, Elahera for the year 2018 had not been implemented. | Action would have been taken to implement all project as stated in the action plan | Non-approval of projects non-allocation of provisions etc. had caused thereto. |

3.2 Non-ascertainment of expected output levels

The following observations are made.

| Audit observation ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| (a) Quality test reports in respect of 4 projects in laying interlock by the Divisional Secretariat, Dimbulagala had not been obtained and the interlocks spread had consisted of various defects. | Being ascertained quality test reports, the quality of inputs needs to be established. | The road was damaged due to transport of vehicles being loaded more than 10 tons and it had been restored. |
| (b) Even though, mosses have been removed from 2 tanks by incurring an expenditure of Rs.6,726,466 by the Divisional Secretariat, Welikanda under the World Food Programme, there was a risk of over | Projects need to be executed, enabling to achieve intended benefits. | As mosses had been removed by using manpower, all could not be completed. |

growing mosses again fast as all mosses had not been removed.

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|-----|--|---|--|
| (c) | Material aids given to 44 beneficiaries to make cultivation wells at Rs.20,000 per well and to 4 beneficiaries to make cattle sheads at Rs.17,240 per shead in the Divisional Secretarial area of Medirigiriya had not been utilized. | Until getting results being commenced projects, follow up action needs to be done continuously. | Action will be taken to recover the money from the relevant beneficiaries. |
| (d) | The common toilet in the Lankapura Pansalgodella City had been built by incurring a sum of Rs.582,000. However, it could not be used by the General Public as there was no access road. This toilet consists of 2 units but one of it had been locked and closed. | This needs to be open for General Public. | Having being completed the defects, the ownership will be handed over to the Lankapura Pradeshiya Sabha. |
| (e) | Of the works stated in the original estimates prepared for the putting up of side bund project near the corporative on Pudur road by the District Secretariat, works valued at Rs.1,160,676 had not been carried out. As such the provision made for this project had not been fully utilized. | Provisions need to be fully utilized. | Noted that information will be submitted being obtained particulars from the relevant divisions. |

3.3 Locally funded projects

The following observations are made.

| Audit observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| ----- | ----- | ----- |
| (a) A sum of Rs.500,000 had been spent for the development of Medirigiriya, Wedehapura Multipurpose building under the rural infrastructure development | Relevant money needs to be recovered in terms of Financial Regulation 119 and to take disciplinary action | Retention money will not be released and get all construction works done agains as per the estimates. |

programme of the Ministry of National Policies and Economic Affairs Audit test check carried out in that connection revealed the following deficiencies.

- (i) Timber with peels had been used for the roof and reepers with standard quantity as per the estimates toilet doors and ridge tiles had not been used.
- (ii) Thickness of the two-sided beams not in accordance with the measurement sheets.
- (iii) Even though, a sum of Rs.6,000 had been paid for a name board, no name board could be seen.
- (iv) Instead of bricks, cement blocks had been used in making walls of the construction works and as such an overpayment of Rs.34,765 had been made.

- (b) As contracts had been awarded in excess of the bid value, a loss of Rs.104,574 was incurred from 3 projects implemented by the Divisional Secretariat, Dimbulagala.

against the relevant supervisory officers in terms of sections 8.1 and 8.2 of Chapter XLVII of the Establishments Code.

Recover the money in terms of Financial Regulation 119 an take disciplinary action against the relevant officers in terms Sections 8.1 and 8.2 of Chapter XLVII of the Establishments Code.

In the arithmetical error correction of the bids presented by the Technical Evaluation Committee, the tender had been awarded for a more value but no unnecessary loss had caused.

3.4 Non-ascertainment of expected benefits

The following observations are made.

| Audit observation | Recommendation | Comments of the Accounting Officer |
|--|--|--|
| ----- | ----- | ----- |
| (a) A jogging lane had been put up for the people by the Divisional Secretarial area, Dimbulagala by incurring of Rs.1,959,698. However, it had become a project that non-maintains, none uses and the requirement of such a jogging lane was not established. | A project proposal needs to be prepared after a formal feasibility study. | Through the voluntary organization in the area, action will be taken to make aware of the people to encourage the use of jogging lanes. |
| (b) Even though, a culvert had been put up near the Dimbulagala, Alawakumbura land No.7 by incurring an expenditure of Rs.490,000, its shoulders and drains had not been put up and as a result the road is severely eroded and any vehicle cannot be run. | Parallel to the putting up of culverts, drains need to be put up. | By making provisions in the next year, the part of this road will be developed. |
| (c) The common well and the volley ball ground constructed in the Lankapura domain by incurring a sum of Rs.1,479,000 had become in vain. | Follow up needs to be done continuously until getting results being commenced the project. | Action will be taken to distribute water by fixing a water filter to the common well and to use the sports ground by putting a grille cover, round the ground. |
| (d) Without a formal feasibility study, a threshing floor had been put up in a high land belongs to a temple, with a provisions of Rs.1,000,000. However, it was very difficult to transport paddy into that high land by the Elahera Divisional Secretariat. | Projects need to be opened after being identified the people's necessity with a feasibility study. | Paddy is transported even with predicament. |

3.5 Project abandoned without being completed

The following observations are made.

| Audit observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| ----- | ----- | ----- |
| (a) As elephant fence had not been put up to a distance of 5 km in putting up an elephant fence project from Medirigiriya, Palliyagodedla to Wadigawewa in the year 2014, equipment valued at Rs.1,229,965 relating therein had remained idle and existed under the custody of Civil Security Division Head Quarters in Medirigiriya | Action needs to be taken to complete the work within the time frame in accordance with the estimates. | Action will be taken to complete in due course. |
| (b) Due to being suspended the contract after detaching and removing the roof for the repair of Theatre at the Medirigiriya Cultural Centre, a sum of Rs.71,338 incurred thereon had become fruitless. | Government money needs to be spent fruitfully. | The estimates had been prepared for the construction of building being widened the building and referred to the Ministry. After getting the approval and receiving provisions, the Divisional Secretary had been instructed to restore the building. |

3.6 Delays in the Performance of Projects

| Audit observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| ----- | ----- | ----- |
| Even though, 4 iron bars had been supplied having being paid a sum of Rs.192,000 for the roof of the Sri Welfare Pre-childhood Centre in Lankapura, bandharathagama, they had not been fixed even by 23 November 2018. | Action needs to be taken to complete the specified works on due dates as per estimates. | It is expected to complete the roof work in due course by allocating provisions. |

3.7 Projects not indicated progress even though money had been released

The following observations are made.

| Audit observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| (a) Provision of Rs.367,000 and plant and machinery, raw materials given in the year 2017 to Elahera Divisional Secretariat for the opening of Small Scale Garment factories for Divisional Secretariat areas had become idle as the factory had not been commenced. | Planning and implementation of projects need to be carried out, enabling to ascertain benefits. | Action will be taken to start the factories in due course. |
| (b) Even though, equipment valued at Rs.100,670 had been given to two persons for retail trade under the Reconciliation Target Economic Empowerment Programme in the Thamankaduwa Divisional Secretariat that project had not been executed. | Follow up action needs to be done until the receipt of benefits being started the project. | Agreed with the audit observation. It will be further inquired and instructions will be given to implement the livelihood task and if it is not so done, materials will be taken back and the Divisional Secretary is made aware that those materials be given to any other beneficiary. |
| (c) A sum of Rs.7,460,325 given for the implementation of micro-financial scheme under the Livelihood Development for 23 Gramashakthi Janatha Societies established within 7 Divisional Secretariat areas under the Gramashakthi Janatha movement, had not been utilized. | Follow up action needs to be done until the receipt of benefits being started the project. | Instructions have been given to start accounting functions in the Small group of the society and assemblies to spent the livelihood Development Fund. Action will be taken to make aware of the officers of the societies furthermore and to start project loan programme. |
| (d) Out of 20 jaggery palm tool sets, the Lankapura Divisional Secretariat had distributed 14 tool sets under the Jaggery Development Project in 2017 after 9 months delay to the | Follow up action needs to be done until the receipt of benefits being started the project. | All beneficiaries who got tools hope to engage in the relevant industry in due course. |

beneficiaries. Any project whatsoever had not been commenced in relation to such equipment.

3.8 Procurements

The following observations are made.

| Audit observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| ----- | ----- | ----- |
| (a) A Technical Evaluation had not been carried out in respect of installation of air-conditioners in the Elahera Divisional Secretariat in terms of guideline 2.4 of the government procurement guidelines. | A Technical Evaluation would have been carried out. | A report of the Technical Officer for the installation of air conditioners is available. |
| (b) In terms of guideline 6.2.2 of the government procurement guidelines, the minimum 21 days to present bids in calling for national competitive bidding had not been given by the District Secretariat in calling for bids to obtain the parks and sanitary services and for 2 development projects. | 21 days need to be given to present national competitive bids. | Audit query is accepted. As the relevant service had to be obtained soon, less than 21 days had been so given. |
| (c) In terms of section 3.3 of the Public Finance Circular No.01/2012 of 05 January 2012, when awarding project contracts to a Community Based Organization, the relevant organization should not engage in more than 3 contracts. In contrary to that, Dimbulagala and Hinguraggoda Divisional Secretariats had awarded 4 contracts each to two community based organizations valued at Rs.2,235,207 and Rs.935,000 respectively. | At the time of awarding the contract, the relevant organization needs not engage for more than 3 contracts. | The Divisional Secretariat, Dimbulagala informed that contracts more than 3 had not been awarded to a community based organization at a time, contrary to paragraph 3.3 of 01/2012 circular. |
| (d) The approval in terms of | When exceeding | Under the limited |

procurement guideline 8.13.4 had not been obtained for the supplementary estimate of Rs.12,205,845, exceeding the original estimate by 22.27 per cent for the establishment of common amenities and construction of toilet system project of the information technology centre, by the District Secretariat. Even though, project period had been extended the period of performance bond had not been extended.

approved contingent provisions the contract variance orders should be referred to the relevant authority levels stated in procurement manual. Performance bond needs to be extended up to 28 days after the expected date of completion of works.

competitive bidding system, bid invitations had been sent to 5 entities; out of which only 3 had obtained bid documents. Of them, 2 entities had forwarded bids. As the bid security submitted by one entity was not obtained from an accepted Commercial Bank, it had been rejected. Accordingly, the Procurement Committee had decided to award the bid to the entity which submitted only one bid, acceptable to the above work in agreement with that bidder's price.

(e) Without obtaining a performance bond in terms of guideline 5.4.8 of the procurement guidelines and an advance bond in terms of guideline 5.4.4(i), the Dimbulagala Divisional Secretariat had paid advances of Rs.605,334 for the construction of upper floor of the Social Services Division. Part of work valued at Rs.713,553 had not been completed and a sum of Rs.118,800 had been paid to the contractor for works not done.

An advance bond needs to be obtained in terms of guideline 5.4.4(1) of the government procurement guidelines. In terms of provision in guideline 5.4.8, a performance bond not less than 5 per cent of the estimated contract sum needs to be obtained. As per the estimate the specific part of work needs to be completed on due date.

Agreed with the audit observation.

3.9 Assets Management

The following observations are made.

| | Audit observation | Recommendation | Comments of the Accounting Officer |
|-----|--|---|---|
| | ----- | ----- | ----- |
| (a) | Four vehicles belong to Dimbulagala and Hinguraggoda Divisional Secretariat had remained idle. | Action needs to be taken either to use or to dispose of it, if not. | Future action will be taken. |
| (b) | An overhead projector and a | Take action to use or if | Action will be taken to |

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|-----|--|---|---|
| | Ronio machine had remained idle in the store of the Welikanda Divisional Secretariat for more than 8 years. | not dispose of it. | rectify. |
| (c) | Ten modern Tractor bowsers belong to Welikanda Divisional Secretariat had been parked in the office premises for more than one year, subjected to natural disaster. | The safety of assets needs to be established. | Next steps will be taken when provision is received. |
| (d) | An official quarter belongs of the Hinguraggoda Divisional Secretariat had been idle for more than 6 years. | Action needs to be taken to utilize it. | Action will be taken to operate an education centre for special needy children. |
| (e) | Values of all lands and buildings had not been posted to the fixed assets registers by the Divisional Secretariats of Welikanda, Elahera, Dimbulagala and Hingurakggoda | A fixed assets register needs to be maintained in terms of Financial Regulation 502(2). | Agreed with the audit observation. |
| (f) | The land and building belong to the Madirigiriya Divisional Secretariat and official quarters, lands and buildings had not been assessed and identified as assets and a sum of Rs.64,954,771 incurred for repair and maintenance of those assets had only been recognised as assets. | The value of assets needs to be assessed and the correct value should be identified. | Assets presented for assessment purposes. |

3.10 Losses and Damages

The following observations are made.

| | Audit observation | Recommendation | Comments of the Accounting Officer |
|-----|--|---------------------------------------|--|
| | ----- | ----- | ----- |
| (a) | Despite, the prices and all other specifications were similar each | Procurements needs to be designed and | As all air conditioners had been purchased of a same |

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| <p>other presented by suppliers for the purchase of air-conditioners to the Dimbulagala Divisional Secretariat, instead of accepting a minimum price of Rs.162,950 presented for a machine with the capacity of 24000 BTU, a machine with a high price model had been purchased by incurring a loss of Rs.117,900.</p> | <p>implemented to gain a maximum benefit to the government.</p> | <p>type and from one service. Agent, it was easy to service and maintain. Even though, there is an economically disadvantage in a short time it is more economical in a long run and purchase had been effected in considering long term existence of air conditioners.</p> |
| <p>(b) Payment for the cleaning service of the Dimubulagala Divisional Secretariat needs to be made based on the number of days worked. However, an overpayment of Rs.75,181 had been made for 79 man days more than the number of days worked as per the signature register.</p> | <p>Overpaid amount needs to be recovered back.</p> | <p>Agreed with the audit observation.</p> |
| <p>(c) The electricity bill of Rs.25,764 payable by a former Divisional Secretary in a respect of the period he resided in the Divisional Secretary's official quarter of Lankapura had not been settled. Accordingly, the Ceylon Electricity Board had removed the electric meter of the official bungalow and the loss incurred thereon and the outstanding electricity bill had not been recovered. As this official bungalow had become idle for nearly 4 years, equipment therein and the house was being dilapidated.</p> | <p>Action needs to be taken to recover the outstanding rent and electricity charges and to ensure the protection of the assets.</p> | <p>Action is taken to recover the outstanding amount from that Divisional Secretary and the protection of the properties is assigned to the Divisional Secretary until that bungalow is given to a suitable officer in future for occupation.</p> |
| <p>(d) A demurrage charge of Rs.20,978 had not been recovered in terms of the agreement of the construction of new stores building in the Dimbulagala Divisional Secretariat and a sum of</p> | <p>Take action to recover the demurrage charges and the overpayment.</p> | <p>An extension up to 20 December 2018 had been given and about 95 per cent of works had been completed by 31 December 2018. A few fittings had to be done and they were made and available</p> |

Rs.324,341 had been paid to the contractor from the final bill for 4 item of works not done.

at the workshop of the aluminium technician. They had been examined and fixed by 15 January 2019 and made the payment.

(e) A sum of Rs.170,484 had been paid by the District Secretariat for the installation of an air conditioner to the Holiday INN of the Department of Census and Statistics without a technical evaluation. The performance of this task had been given to a voluntary organization, disregarding the market prices, resulting a loss of Rs.40,984 to the government.

Procurements need to be designed and implemented in a manner that gains a maximum benefit to the government.

In accordance with the North Central Province prices, this air conditioner has been estimated. As the progress has to be presented within 14 days after being completed the project, the contract has been awarded to an approved community based organization on direct contract method. The nature of the place and changes in other fittings and accessories had caused to change prices.

(f) A full report in respect of an accident caused to a lorry belonging to the District Secretariat had not been presented within 3 months in terms of Financial Regulation 104(4). Responsible Officers for the loss of Rs.1,027,750 incurred from the accident had not been determined.

By conducting an enquiry a full report needs to be presented within 3 months in terms of F.R.104(4). Recover the value of loss from the responsible parties.

Action has been taken to send the inquiry report to the Director of Public Finance.

3.11 Uneconomic Transactions

Audit observation

Recommendation

Comments of the Accounting Officer

(a) Instead of the installation of 7 air conditioners with the capacity stated in the Engineering estimates, 7 air conditioners, with the capacity of more than double of the above had been installed in the Assembly hall the Dimbulagala Divisional Secretariat and the installation of one air

Government money needs to be spent economically and action has to be taken in accordance with the specification stated in the estimate.

Agreed with the audit observation.

- conditioner in the planning Division in excess of the Engineering estimate, an unnecessary expenditure of Rs.509,077 had to be incurred.
- (b) In developing roads relating to the rural economic development projects by the Welikanda and Thamankaduwa Divisional Secretariats, interlock had not been purchased through the Divisional Secretariats and allowed to supply by the contractor himself. As a result of making payments in accordance with Provincial Prices therefor, a sum of Rs.3,134,751 had been overspent.
- (c) Under the rural infrastructure development special programme, an overpayment of Rs.385,690 had been made at Rs.162 per meter as compared with the Sukitha Purawara programme, in respect of laying inter locks on 9 roads by the Dimbulagala Divisional Secretariat during the year 2018.
- (d) A sum of Rs.100,491 incurred for the side bund, put up for fixing wire nets fence under the Elahera Gange yaya sports ground development project had become fruitless as it was decided not to put up wire net fence on the way
- When purchasing, a method more economical to the government needs to be applied.
- It had been done in a manner that the project is approved.
- Projects need to be implemented more economically to the government.
- Estimates have been prepared on the prices given by the District Engineer at the time of the implementation of rural infrastructure development special programme in the year 2018.
- In planning, correct plans need to be designed being appropriately identified the requirement.
- As the electric fence for elephants had become inactive wild elephants had gone through this sports ground. Therefore, as the proposed fence may be damaged, only the proposal for putting up the fence had been changed. Because of the side bund, flowing rain water to the sports ground from the

road was blocked.

3.12 Non- rendition of replies to audit queries

| Audit observation | Recommendation | Comments of the Accounting Officer |
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| In terms of section 38(1)(e) of the National Audit Act No.19 of 2018, the Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor General. However, replies to 7 audit queries issued to the District Secretariat up to 26 February 2019 relating to the year under review had not been rendered even up to 30 April 2019. | In terms of section 31(1)(e) of the National Audit Act No.19 of 2018, audit queries need to be answered within a specified period. | Relevant audit queries had been answered on 20 May 2019. |

3.13 Management Inefficiencies

| Audit observation | Recommendation | Comments of the Accounting Officer |
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| (a) Even though, granite excavating licences of 2 persons resided in Hinguraggoda Divisional Secretariat area had cancelled granite was being still excavated in those places. | Necessary steps need to be taken to prohibit unauthorized granite excavation. | Issues mentioned will be reported to the relevant Ministry. |
| (b) The land belongs to the National Housing Development Authority where Hinguraggoda Divisional Secretariat is located, had not been vested in the Divisional Secretariat. | Action needs to be taken to get it to the Divisional Secretariat. | Every steps had been taken to acquire the land. |
| (c) Action had not been taken to get back a laptop computer valued at Rs.70,000 kept under the custody of a former Divisional Secretary, when he had gone on | Action needs to be taken to acquire the land by the Divisional Secretariat. | Action will be taken to get back. |

transfer.

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| (d) | Even though, the materials required for the agree-water project of Lankapura Dewalagodella under the Grama Shakthi Janatha movement of the Presidential Secretariat had been given in the year 2017, such goods/ equipment had become idle as the electricity connection was not obtained. | Follow up action needs to be taken until the results are obtained being commenced projects. | Action will be taken to rectify the deficiencies pointed out by audit. |
| (e) | Six sets of equipment to be distributed among the beneficiaries under the jaggery Development Project of the Ministry of Rural Economic Development and 318 items of goods to be distributed among voluntary organizations under the Decentralised provisions valued at Rs.387,886 had existed in the stores of the Lankapura Divisional Secretariat. | Projects need to be completed expeditiously as planned. | Agreed with the audit observation. |
| (f) | A total cost estimate had not been prepared for the construction of Palasthigama Public Sports Ground Auditorium Project. On the provision of Rs.1,000,000 under the Rural Infrastructure Development Programme for 2017, the slab of the ground floor was paved by using pillars but the steel vires were open to the air and as such they had been rusted. | Before starting projects, estimates need to be prepared. Attention needs to be drawn to complete the balance work without allowing the building destroyed. | As outright provision could not be obtained, the total cost estimate had not been prepared. All works can be completed, if expected provision is obtained in future. |
| (g) | Action had not been taken to distribute 12 water motors out of 39, purchased in the year 2017 for a sum of Rs.1,076,010 by the Thamankaduwa Divisional Secretariat under the Rural Economic Promotion | Action needs to be taken to distribute them having being identified the beneficiaries. | Action will be taken to complete the distributions. |

Programme.

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| (h) | A pensions officer relating to the subject of pensions files in the Thamankaduwa Divisional Secretariat had not been appointed and a female development officer, who had not been given any training on that subject had been employed therefor. | Having being appointed a subject officer, he has to be trained for the subject enabling thereby to provide a maximum service to the general public and manage the human resources accordingly. | Action is taken to conduct training programme to officers. |
| (i) | Action had not been taken to recover the loan balances of Rs.6,357,487 given to 163 accounts holders by Samurdhi Community based Banks of Elahera and Aththanakadawala. | Action needs to be taken to recover the defaulted loans. | Action is taken to recover the loans. |
| (j) | In terms of paragraph 1.3.4 of the Circular No.2008/4 dated 20 August 2008 of the Department of Commissioner General of Lands, the books for the registration of persons with no lands in the Medirigiriya Divisional Secretariat had not been updated and the copy thereof had not been sent to the Provincial Commissioner of Lands and the Commissioner General of Lands. | Action needs to be taken in accordance with paragraph 1.3.4 of the Circular No.2008/4 dated 20 August 2008 of the Department of Commissioner General of Lands. | Instructed to the Divisional Secretary. |
| (k) | Demurrage charges for 73 days amounting to Rs.290,544 had not been recovered from the final bill relating to the project of the construction of 2 culverts for the Aththanakadawala yaya 25-26 and 25-12 drain canal road carried out by the District Secretariat. | As per the estimate works need to be completed on due date and recover the demurrage charges. | Noted that information will be taken from relevant divisions and submitted. |
| (l) | Action had not been taken to recover the land tax outstanding revenue of Rs.915,765 due from 18 lessees in the Divisional | Recover the outstanding taxes. | Necessary action is taken to recover the outstanding lease rents. |

Secretariats of Elahera and Medirigiriya.

4. Reaching Sustainable Development Goals

The District Secretariat had not paid sufficient attention in respect of the allocation of provisions, staff training, make connection with other state entities for the achievement of Sustainable Development Goals introduced by the United Nations.

5. Good Governance

5.1 Accomplishment of services to general public

| Audit observation | Recommendation | Comments of the Accounting Officer |
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| ----- | ----- | ----- |
| (a) Three hundred and fourty one persons, receivable kidneys allowance, 100 persons with disabilities 1,951 persons expected elders' allowance had to be retained in the waiting list within the Divisional Secretariat areas of Dimbulagala, Medirigiriya, Elahera, Welikanda and Hingurakgoda sent to the Ministry of Social Services in the year under review for approval. | Action needs to be taken to get the allowances approved for more beneficiaries. | Payment are made within the provisions limits. |
| (b) Land transfers for 48 temples, 18 schools and 16 government and semi-government entities in the Hinguraggoda Divisional Secretarial areas, 214 entities in the Lankapura Divisional Secretarial areas, 149 plots of land in the Thamankaduwa Divisional Secretarial areas had not been completed. | Expedite the land transfer activities. | Hinguraggoda Divisional Secretariat has arranged land transfers. |
| (c) Action had not been taken to distribute 292 deeds and 113 licences relating to the Lankapura Divisional Secretariat, which had been sign by the President, 25 deed award papers relating to the | Action need to be taken to identify beneficiaries and distribute and or cancel problematic or unidentified licences. | Divisional Secretaries make aware about further action |

- Thamankaduwa Divisional Secretariat. Action had also not been taken to cancel the deeds and licences which could not be identified or problematic deeds.
- (d) Out of 449 registered applicants in 26 Grama Niladhari domains in Lankapura according to the Land Commissioner 157, non of them had been given lands. Action needs to be taken to give lands for registered applicants. Agreed with the audit observation.
- (e) Out of 27 complaints in respect of encroachers in the Kotaleeya 189 Grama Niladhari Division within the authority limit of Thamankaduwa Divisional Secretariat, any legal action whatsoever had not been taken in respect of 17 complaints. Action has to be taken in respect of encroachers being conducted investigations. Future legal action will be taken being examined through the Administrative Grama Niladhari.
- (f) Out of 559 copies of award papers and Jayabhumi papers in the Thamankaduwa Divisional Secretariat area, attention had not been paid to identify how many award papers and Jayabhumi papers were given without being surveyed and without obtaining line drawings and to survey them and to get line drawings. Further action needs to be taken being identified the number of award papers and Jayabhumi papers issued without obtaining survey orders and line drawings. Sustainable Solutions will be given in due course.
- (g) Insurance indemnity of Rs.312,125 for 9 houses damaged by sudden cyclone moved in 263-Karapola Grama Niladhari Division in the Welikanda Divisional Secretarial area had not been received. Action needs to be taken to get the insurance indemnities and give them to the damaged house owners. Divisional Secretary makes aware to do the disaster relief services.
- (h) Even though, information required by the people needs to be given expeditiously in terms of Right to Information Act No.12 of 2016, there were 3 Action needs to be taken in terms of provisions in Right to Information Act No.12 of 2016. Information requested parties had satisfied with the information given verbally by the Information officers and written information was not

occasions, that Welikanda Divisional Secretariat had not so given information.

expected by them.

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| (i) | Suitable action had not been taken in respect of land allottees related to land Kachcheries held in the year 2015 for 828 land allottees in the Elahera Divisional Secretarial Division by the Provincial Land Commissioner's Office. | Issuing land licences need to be formalised being held land kachcheries. | Next step will be taken once the approval of the Commissioner General of Lands is obtained. |
| (j) | According to the voters register for the year 2018, there were 1809 persons who did not have national identity cards in the Divisional Secretarial area of Elehera but they had not been directed to apply national identity cards having being followed up thereon. | Having being followed up the people need to be directed to apply for national identity cards. | It is expected to hold a few mobile services and to issue identity cards for persons who do not have NICS. |

5.2 Internal Audit

Audit observation

Recommendation

Comments of the Accounting Officer

None of the audit queries had been issued by the Internal Audit Division during the year 2018 in respect of the District Secretariat.

Internal audit needs to examine the functions states in the Financial Regulation 133 by covering all offices.

Due to dearth of audit officers, it appears that issue of audit queries are diminished.

6. Human Resource Management

Audit observation

Recommendation

Comments of the Accounting Officer

Without taking action in terms of change of station transfer policies, there were 29 officers who serve in the Elahera Divisional Secretariat for periods ranging from 7 years to 25 years.

Change of station transfer policy needs to be applied in respect of officers whose service period exceeds 5 years, continuously.

Even though, change of station transfers had been applied, there was no good response.