

**1. Financial Statements**

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**1.1 Qualified Opinion**

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The audit of the financial statements of the Anuradhapura District Secretariat 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. This report included with my comments and observations on the financial statements submitted to the Anuradhapura District Secretariat in accordance with section 11(1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was on 27 May 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 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 Anuradhapura District Secretariat as at 31 December 2021, 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**

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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**

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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 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 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 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**

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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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Secretariat's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5. Report on Other Legal Requirements

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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 Financial Statements

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### 1.6.1 Non-compliance with financial statement circular provisions

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The situations that deviated from the requirements of the Public Accounts Guidelines No. 2021/3 dated 26 November 2021 are given below.

Audit Observation	Comments of the District Secretariat	Recommendation
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An amount of Rs. 416,189,549 collected on behalf of other revenue accounting officers was indicated in the statement of financial performance as other main ledger account receivables.	An adjustment of the statement of financial performance cannot be made unless the revenue collected on behalf of other accounting officers is included in the statement of financial performance.	According to paragraph 7.2 of the Public Accounts Guidelines, revenue collected on behalf of other revenue accounting officers should not be included in the statement of financial performance.

### 1.6.2 Submission of Accounts

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#### (a) Non-maintenance of records and books

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Audit Observation	Comments of the District Secretariat	Recommendation
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According to the paragraph 03.9 of Public Accounts Guidelines No. 2021/02 dated 26 October 2021, a list of individual asset balances in the departmental books of assets in relation to the total of Rs. 4,086,325,892 in the statement of non-financial assets included in the financial statements or an asset register where assets can be identified were not submitted to the audit.	A list of balances relating to non-financial assets of the District Secretariat and Divisional Secretariats has been prepared.	An assets register should be maintained as that each asset can be identified separately as per the CIGAS programme.

**(b) Non-compliance with Laws, Rules and Regulations**

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Observation -----			Comments of the District Secretariat	Recommendatio n
Reference to the Laws, Rules and Regulations -----	Amount  ----- Rs.	Non-complaine  -----	-----	-----
(i) Section (9)(a)(1) and (2) of the Fauna and Flora protection (Amendment) Act No. 22 of 2009	-	Although the written approval of the Director General of wildlife should be obtained for all development activities within 01 mile from the border of a national reserve, a private company had undertaken an aloe vera plantation project and other related development activities on lands located within a mile of the Wilpattu sanctuary boundary (Within the trigger region) without such approval. An environmental assessment was also not done for this project through a national environmental investigation.	No permission has been given to the relevant company for the implementation of the aloe vera plantation project. Cultivation in the trigger region is done by agreement between the company and the landowners.	Should be followed the provisions of the Act.
(ii) Circular No. 2008/04 dated 20 August 2008 of the Commissioner General of lands.	-	Actions were not taken as per the circular instructions for the control of unauthorized capture of various reserved and government lands which had been	Further action including prosecution is taken by the court.	Action should be taken as per the circular instructions of the Commissioner General of Lands.

detected in 04  
Divisional Secretariat  
Divisions.

- (iii) President Secretary's circular No. SP/PCMD/06/2015 dated 16 June 2015 on energy saving measures to be followed by government institutions. 4,198,198
- Although air conditions with inverters contribute to energy saving when installing air conditioners in government institutions, 27 air conditioners purchased for installation in the District Secretariat and 2 Divisional secretariats were non-inverter air conditions on 3 occasions.
- Non-inverter air conditions were bought as inverter air conditioners are expensive in the market and scarce in the market.
- Should be bought air conditioners with inverters that contribute to energy saving.

## 2. Financial Review

### 2.1 Expenditure Management

The following observations are made.

Audit Observation	Comments of the District Secretariat	Recommendation
(a) An amount of Rs. 275,000,000 was obtained through supplementary estimates for 02 expenditure subjects for which provisions were not allocated from the annual estimate and more than 81 percent of that amount was saved without utilizing.	This provision was later given by the treasury to purchase paddy and implement organic fertilizer projects and implementation of these projects was not done adequately due to lack of sufficient stock and lack of interest of farmers in processing organic fertilizers.	The projects that can be implemented should be carefully studied and the provisions should be allocated when getting the provisions.
(b) Rs. 322,991,490 had been saved from the net allocation of Rs. 519,000,000 allocated for the 05 expenditure subjects. It was ranged from 38 percent to 97 percent of the net allocation in each of the expenditure subjects.	Due to the Covid situation, the inability to perform the related tasks and non-receive of funds from the treasury.	Action should be taken to prepare the estimates as fully as possible in accordance with Financial Regulations 50.

### 3. Operating Review

#### 3.1 Non- performances of Duties

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the District Secretariat</b>	<b>Recommendation</b>
(a) Although Divisional Secretariats should conduct district secretariat surveys and resolve land related issues in order to provide land to those who are landless and engaged in farming activities in the Divisional Secretariat Divisions and to provide formal licenses to those who currently own land but do not legal rights in accordance with the circular No. 2008/04 dated 20 August 2008 of the Commissioner General of lands for the regularization of land management, only 128 land district secretariats were conducted in 632 Grama Niladhari divisions of 22 divisional secretariat divisions.	It is planned to hold land district secretariat which could not be held due to the Covid situation.	Action should be taken as per the circular.
(b) Even though the lease license period of three long-term (commercial) license holders in Madavachchiya Divisional Secretariat has exceeded 2 years, it was not possible to collect the tax from those lands due to the non-extension of the lease according to the new assessment.	It has been sent for the approval of the Commissioner General of Land and I will proceed to collect the tax as soon as the approval is received.	After the expiry of the lease period, the lease should be renewed and the tax should be recovered as per the new assessment.

#### 3.2 Activities contrary to the main function

<b>Audit Observation</b>	<b>Comments of the District Secretariat</b>	<b>Recommendation</b>
The land in Rajanganaya Divisional Secretariat Division, Rajangana Yaya 18 No. 456 licensed for residential activities and farming activities was given to a private company for an aloe vera plantation project for business purposes under section 19 (2) of the Land development ordinance and through that project, the farmers' land rights were at risk of being acquired by the relevant company.	A project of aloe vera plantation has been started with mutual understanding between the villagers and the relevant company.	According to the Land Development Act, if the land given for residential and cultivation purposes is used for commercial purposes, the possession of the respective lands should be taken back and given on a long term lease basis.

### 3.3 Non-achievement of Expected Output Level

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<b>Audit Observation</b>	<b>Comments of the District Secretariat</b>	<b>Recommendation</b>
34 projects implemented in 22 Divisional secretariats with an allocation of Rs. 196,909,215 were not planned to be implemented within the period specified in the approved project report under the "Saubhagya" production villages project and due to that only Rs. 94,455,778 worth of work had been completed. Works worth Rs. 33,605,796 had not been completed during the year under review.	The projects could not be implemented completely due to shortage of goods in the market and corona situation.	Should be arranged for utilization of funds by implementing projects within the period specified in the approved project report.

### 3.4 Non-achievement of Expected Outcome

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<b>Audit Observation</b>	<b>Comments of the District Secretariat</b>	<b>Recommendation</b>
Although the provision has been made to the bank accounts of the companies for the implementation of the revolving credit programmes of the Grama Shakthi Janatha companies as per circular No. 1/2018 dated 21 March 2016, 113 Grama Shakthi Janatha companies established in 14 divisional secretariat divisions remained inactive. A cash balance of Rs. 32,418,605 remained unutilized in the company bank accounts at the end of the year under review.	With the change of government in 2019, it was due to the obstacles for the implementation of this project from weakening of the Grama shakthi business and the lack of interest of members of Grama Shakthi companies.	Loan programmes should be reviewed and implemented as the revolving funds can be utilized to the maximum extent so that the beneficiaries get maximum benefits.

### 3.5 Procurements

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the District Secretariat</b>	<b>Recommendation</b>
(a) Following are the deficiencies that occurred during the procurement process of this project implemented with allocation of Rs. 56,079,458 from the Department of wildlife conservation for the construction of 60 guardhouses related to the		

electric fence in relation to the maintenance and follow-up process of the electric fence to reduce the conflict of elephant and human.

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| (i)   | Financial and technical capacity and previous experience to effectively perform the contract shall be considered in the evaluation of bids relating to the procurement in accordance with paragraph 7.10.1 of the Code of procurement guidelines and on the criteria contained in the bid documents. Due to failure to do that, only 15 of the expected 60 guardhouses were constructed and the contract was abandoned due to failure to select a suitable contractor.             | As the contractor is registered on C4 ratings, it is concluded that it is capable to performing the contract and awarded the contract.                                     | Action should be taken as per procurement guidelines. |
| (ii)  | Out of the 60 guard rooms, 29 guard rooms had been abandoned without being able to commence work due to the failure of the entity to complete the procurement of utility services including land acquisition as per paragraph 2.3 of the procurement guidelines before commencing the procurement works.   | The contract was awarded based on the estimate prepared and sent by the Department of wildlife and only the procurement process has been done by this institution.         | -Do-  |
| (iii) | A schedule and work plan related to the procurement as per 4.2.2 of the procurement guidelines had not been obtained from the bidder and also had not been approved and acted upon.  | Since other ministries and departments provide allocations at the end of the year, it was not possible to prepare a timetable and make a note to act accordingly from now. | -Do-  |
| (b)   | Rs. 1,177,200 had been paid for making and installing 600 name boards under the "Saubhagya" production villages programme and the tender was awarded to the bidder who bid higher than those prices at the lowest bidder's prices without proceeding to award the relevant tender to the lowest qualified bidder in the procurement process and without his consent. This decision violated the fundamental principle of the procurement process that qualified interested parties | This decision was taken as there was not enough time to get it done by another institute in case of delay in delivery of these supplies to the lowest bidder.              | -Do-  |



should be given equal and maximum opportunities as per paragraph 1.2.1 (d) of the code of procurement guidelines.

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| (c) | In the procurement process for the purchase of 630 water motors of 3 types of empower 2 lakh families under the “Saubhagya” production villages programme, a loss of Rs. 5,608,700 had been occurred due to that when the bidder who submitted the lowest qualified price had been submitted the sufficient information by the bid documents and by rejecting the said bidder without accepting it and offering the tender at higher rates. | His tender was rejected as he had not submitted the documents requested by the concerned institute. | Decisions should be made in procurement activities to provide maximum benefits to the government. |
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### 3.6 Management Inefficiencies

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Audit Observation	Comments of the District Secretariat	Recommendation
(a) The quality and specifications of the construction materials required for the project were not included in the project report prepared and approved by the District Secretary for the “Free chicken” control project implemented in Medavachchiya Divisional Secretariat under the “Saubhagya” products village programme and the District Secretariat or Divisional Secretariats had not been prepared and approved the necessary specifications. Due to that, an external party intervened and obtained the government contribution money given to the beneficiaries for the purchase of materials required for the project and purchased substandard materials and disposed of Rs. 1,514,700.	The Technical officer of the Divisional Secretariat has given verbal advice on the quality of the goods to be purchased and no officer of the Divisional Secretariat has been involved in purchasing the goods.	The specifications of the goods to be purchased for the project should be approved and given to the relevant procurement parties and due to failure to do that, a formal investigation should be conducted to recover the loss incurred by the government.

- (b) Government charges should be charged to the amount specified in the gazette for the collection and acquisition of minerals in government lands controlled under the Divisional Secretaries according to the special gazette No. 1600/18 dated 06 May 2009 of the Democratic Socialist Republic of Sri Lanka, which is set out in terms of the powers assigned to the Minister in charge of Lands in terms of Section 8(2) of the Forest Conservation Ordinance No. 16 of 1907. Government fee income of Rs. 93,351,257 was not charged during the year under review due to the under calculation of the quantity of stone cubes mentioned in the granite mining permits issued by the Geological Survey and Mines Bureau from the granite working areas maintained in 05 Divisional Secretariat divisions which were audited in Anuradhapura district. Also, Rs. 395 million should have been recovered the arrears fee of the government related to this subject in previous years.
- I will recover subject to a relief period as per the instructions of the letter L/2/1/79 kalugal dated 19 August 2021 of the Land Commissioner General.
- The Geological Survey and Mines Bureau should be consulted and arrangements should be made to collect the charges as mentioned in the gazette notification.
- (c) Out of the loans issued under the women's bureau loan programmes implemented in 20 divisional secretariat offices of the district, the total of non-premium, non-performing loans amounting to Rs. 4,067,489 for more than 2 years. The widow women loan programmes and livestock loan programmes of 9 regional secretariats were not implemented in the years 2020 and 2021 from the allocation received for the implementation of the loan programme. Rs. 4,008,456 form the revolving loan funds received for the said loan programme remained in the bank accounts.
- According to the decisions made by the Audit and Management Committee, the weaknesses in the loan programme have been identified and reviewed and the Secretary of the ministry has been informed and asked for instructions to restructure the loan programme. Accordingly, action will be taken as per the given instructions.
- Weaknesses related to loan programmes should be identified, reviewed and re-implemented.
- (d) Rs. 394,575,735 in tax arrears should be charged from government lands given on long-term lease basis in 17 Divisional Secretariat divisions as at 31 December of the year under review.
- Various measures are being taken to recover the arrears.
- According to the advice of the Land Commissioner General, the tax should be collected according to the conditions of the long term tax permit.

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| <p>(e) Part of the land had been allotted to various companies by the owners of the allotment papers for agricultural and residential purposes for the construction of transmission towers under the Land Development Ordinance. Accordingly, action was not taken according to the above circular in relation to 102 communication towers located in 14 Divisional Secretariat divisions.</p> | <p>Proceedings have been initiated as per the instructions in the circular.</p>                       | <p>According to the circular No. 2020/02 dated 06 February 2020 of the Commissioner General of Lands with heading of “Follow up on the grant papers issued under the Land Development Ordinance Act”, the government should accept the relevant grant papers and act according to the instructions in part VI of the said circular.</p> |
| <p>(f) 380 Grant papers signed by His Excellency the President and sent to 3 Divisional Secretariats were not registered and handed over to the respective owners.</p>   | <p>Arrangements are being made to hand over them to the respective owners by the Grama Niladhari.</p> | <p>Beneficiaries should be informed, registered and given to the respective beneficiaries.</p>  |