

## **Head 263 District Secretariat, Hambantota**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head-263, District Secretariat, Hambantota for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 these financial statements of the District Secretariat, Hambantota in terms of Section 11(1) of the National Audit Act, No.19 of 2018 was issued to the Accounting Officer on 10 May 2023. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 26 April 2023 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 District Secretariat, Hambantota as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of the Accounting Officer for the Financial Statements**

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for 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**

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

In terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018, I express the following matters.

- (a) The financial statements are consistent with the preceding year,
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

| <b>Referred Paragraph in the Report of the Previous Year</b> | <b>Recommendation not implemented</b>                       | <b>Reference to the Paragraph of this Report</b> |
|--|---|--|
| -----  | -----   | -----  |
| 3.5 (a)  | Prompt action should be taken regarding losses and damages. | 3.5(a), (d)                                      |

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Property, Plant and Equipment

The following deficiencies were observed with regard to posting the Property, Plant and Equipment into Accounts.

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>  | <b>Recommendation</b>  |
|---|---|--|
| (i) Although the balances of the classes of assets mentioned in the financial statements as at 01 January of the year under review totaled Rs.20,751,725,957, the closing balance stated in the audited financial statements of the preceding year was Rs.5,761,155,640. Accordingly, a difference of Rs.14,990,570,317 was observed. | As the SA 82 reports submitted by the Department of State Accounts as at 31 December 2022 contained errors, it was informed to the Department of State Accounts. Action will be taken to submit the correct SA 82 report as immediately as the relevant report is received. | Opening balances should be correctly stated in the financial statements and the discrepancies should be disclosed. |

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|-------|--|--|---|
| (ii)  | The expenditure incurred on the purchase of capital assets during the year under review was Rs.53,582,845 as per the Treasury computer printouts Form SA 82 and it was Rs.91,368,443 according to the statement of expenditure – Form ACA (ii). Accordingly a difference of Rs.37,785,598 was observed in the total expenditure incurred on the purchase of machinery and equipment and construction of buildings. | As the SA 82 report submitted by the Department of State Accounts as at 31 December 2022 contained errors, it was informed to the Department of State Accounts. Action will be taken to submit the correct SA 82 report as immediately as the relevant report is received. | Correct value of the assets should be posted to the accounts. |
| (iii) | Although the total value of the lands during the year under review was Rs.1,179,634,089 as per the Treasury computer printouts Form SA 82, it was Rs.395,667,268 according to the schedules, resulting in a difference of Rs.783,966,821.  | As the SA 82 report submitted by the Department of State Accounts as at 31 December 2022 contained errors, it was informed to the Department of State Accounts. Action will be taken to submit the correct SA 82 report as immediately as the relevant report is received. | Correct value of the assets should be posted to the accounts. |

**(b) Lack of Evidence for Audit**

| <b>Audit Observation</b>   | <b>Comment of the Accounting Officer</b>   | <b>Recommendation</b>  |
|--|--|--|
| Since the Audit was not submitted with the detailed schedules to confirm the balances totaling Rs.27,813,137 adjusted to the opening balances of three items of assets during the year under review and the balances totaling Rs.78,345,349 indicated as writing off of four items of accounts as per the Treasury computer printouts Form SA 82, those balances could not be verified during the audit. | As the SA 82 report submitted by the Department of State Accounts as at 31 December 2022 contained errors, it was informed to the Department of State Accounts. Action will be taken to submit the correct SA 82 report as immediately as the relevant report is received. | Schedules that required to confirm the balances should be submitted. |

## 2. Financial Review

### 2.1 Incurring Liabilities and Commitments

| <b>Audit Observation</b>   | <b>Comment of the Accounting Officer</b>  | <b>Recommendation</b>   |
|--|---|---|
| In terms of Financial Regulation 94 (i), no expenditure or commitment shall be incurred by any department for work, service or supply, unless financial provision exists therefore in the Annual Estimates. However, contrary to that, the District Secretariat had incurred liabilities of Rs.9,021,580 in excess of the savings related to 03 Objects. | Since there was no sufficient provisions to settle the final bills submitted for payments in December 2022, the payments were expected to be settled in 2023 and as such, it was stated as liabilities for the year 2022. | Commitments should not be incurred in excess of the liabilities as per Financial Regulation 94 (i). |

### 2.2 Utilization of Provisions Granted by other Ministries and Departments

The following observations are made.

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>  | <b>Recommendation</b>   |
|---|---|---|
| (a) Out of the loan of Rs.38,000,000 granted to 10 parties under the loan assisting scheme for granting loans to the small and medium scale mill owners as per the Cabinet Memorandum No. 19/0549/101/030 dated 11 February 2019 to settle after a grace period of 06 months, a sum of Rs.22,638,517 remained outstanding as at 31 December of the year under review. | A sum of Rs.913,590 of the outstanding amount has been recovered at present and legal actions are in progress to recover the balance.   | Loans should be recovered within the prescribed timeline without delay. |
| (b) There was a balance of Rs.4,669,586 as at 31 December of the year under review in 137 bank accounts of the Gramashakthi People's Societies under the Gramashakthi People's Movement implemented in the years 2018 and 2019. Out of the loan amounting to Rs.4,161,148 paid by 10 Gramashakthi People's Societies in 05 Divisional Secretariat divisions           | Restructuring process of the Gramashakthi People's Societies are in progress and the issues regarding the funds will be dealt with according to the instructions given by the Ministry. | Funds in the bank accounts should be used for the intended purposes.    |

under the revolving loan scheme, sums totaling Rs.1,901,818, including loan installments of Rs.1,620,937 and interest of Rs.280,881 remained receivable as at 31 December of the year under review.

- (c) A sum of Rs.594,700 from the loans given by the Ambalantota Divisional Secretariat to 121 recipients from the year 2011 to 2021 under the Revolving Loan Scheme of the Sri Lanka Women's Bureau and Women Householder Loan Scheme and a sum of Rs.59,000 from the loans given by the Suriyawewa Divisional Secretariat to 11 recipients from the year 2016 to 2019 remained receivable even as at 31 December of the year under review.
- Loan recovery has decreased due to the Covid-19 situation and the economic crisis and arrangements are being made to recover the outstanding loan balances.
- Outstanding loan balances should be recovered without delay.

### 2.3 The certification to be made by the Accounting Officer

| Audit Observation   | Comment of the Accounting Officer                              | Recommendation   |
|---|--|--|
| <p>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. Although such reviews should be carried out in writing and a report thereof should be submitted to the Auditor General, no evidence was submitted to the Audit that an aforementioned review had been carried out.</p> | <p>Action will be taken accordingly from the ensuing year.</p> | <p>Provisions of Section 38 of the National Audit Act, No.19 of 2018 should be followed.</p> |

## 2.4 Non-compliance with Laws, Rules, and Regulations

Instances of non-compliance with laws, rules, and regulations observed during the course of audit test checks are analyzed below.

| <b>Reference to Laws, Rules, and Regulations</b>                               | <b>Value</b> | <b>Non-compliance</b>   | <b>Comment of the Accounting Officer</b>   | <b>Recommendation</b>   |
|--|--------------|---|--|---|
|  | <b>Rs.</b>   |   |  |   |
| <b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> |              |   |  |   |
| <b>Financial Regulations 137(5), 138(3),(5), (6) and 139(5)</b>                | 29,606,858   | Invoices and Goods Received Notes in support of the expenditure incurred on the purchase of fertilizer under the Environmental Friendly Fertilizer Subsidy Programme in Maha season 2022/2023 were not attached with the payment voucher. | Action has not been taken against the Financial Regulations 137(5), 138(3),(5), (6) and 139(5) | Approval and certification and payment should be made in accordance with the Financial Regulations. |

## 2.5 Transactions of Fraudulent Nature

Information on the transactions of fraudulent nature observed during the course of audit test check is as follows.

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>   | <b>Recommendation</b>   |
|---|--|---|
| It was observed that 10,708 kilometers in excess of the mileage recorded in the Odometer of a jeep belonging to the District Secretariat as at 06 October 2022, the date of the audit, had been included in the Running Chart and 1427 liters of fuel valued at Rs.179,447 had been issued for a distance for that the jeep did not actually cover. | Once the Odometer was fixed, running charts have been updated from the existed point of the meter reading. | Accuracy should be ensured in issuing fuel, entering into Running Charts, and balancing the fuel. |

## 2.6 Deposit Balances

The following observations are made.

| <b>Audit Observation</b>   | <b>Comment of the Accounting Officer</b>  | <b>Recommendation</b>   |
|--|---|---|
| Contrary to the Financial Regulation 215 (3), Paragraph 02 of the Treasury Operation Guidelines No.06/2020 dated 03 November 2022, and Paragraph 2.4 of the Treasury Operation Guidelines No.06 dated 14 October 2020, two cheques valued at Rs. 29,606,858 had been written on 31 December of the year under review and retained in hand without being handed over to the payees. Subsequently, the name of the payee appeared on the cheques had been amended to "District Secretariat" and then, they had | Since there were some deficiencies in the vouchers submitted, they were handed over to the Fertilizer Secretariat for making corrections. As instances of non-compliance with the guidelines related to the release of fertilizers were discovered, those checks were canceled and temporarily retained in the General Deposit Account and then, the money was paid in February 2023 after completing the deficiencies. | In terms of Financial Regulation 215 (3) and the circular instructions, provisions should not be retained for immediate payments. |



been deposited in the official bank account of the District secretariat in February 2023. Thereafter, they had been credited to the General Deposit Account.

### 3. Operating Review

#### 3.1 Failure to Achieve the Expected Benefits

The following observations are made.

| Audit Observation  | Comment of the Accounting Officer   | Recommendation  |
|--|---|---|
| <p>(a) Under the Saubhagya Production Village Programme implemented in the year 2021, the Ambalantota Divisional Secretariat had spent Rs.4,235,417 for Orchid and Anthurium cultivation project and Rs.4,298,220 for Maldives fish and dried fish production project, while the Suriyawewa Divisional Secretariat had spent Rs.2,704,350 for ornamental fish breeding and farming project. It was observed that the objective of the project such as creation of direct and indirect employments, and minimization of production costs were not achieved and the benefits such as receiving a permanent market to the producers, eradication of poverty, and ensuring a good living condition to the beneficiaries could not be received.</p> | <p>It is notified that the difficulties in supplying fertilizers and the severe economic and financial crisis in the country, the increase in the price of fish and oil, have directly affected the orchid and anthurium flower cultivation projects in Ambalantota Divisional Secretariat. The projects of the Suriyawewa Divisional Secretariat have become inactive at present as a result of the withdrawal of the members from the projects from time to time due to economic difficulties, and the severe economic and financial crisis in the country.</p> | <p>The expected benefits of the project should be received and the objectives should be achieved.</p> |

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|-----|--|--|---|
| (b) | Under the Saubhagya Production Village Programme implemented in the year 2021, the Beliatta Divisional Secretariat had spent Rs. 1,630,581 for Quail farming project and the Weeraketiya Divisional Secretariat had spent Rs. 7,309,635 for poultry farming project. Out of the Quails provided to the beneficiaries, about 3.5 per cent could be observed within 7 months period of the implementation of the project and approximately 18 per cent of the chicks could be observed within a period of 10 months from their purchase. The projects had been unsuccessful. | The project would have been successful if it could have been implemented without the quails being afflicted with a virus. It has been informed that the rapid increase in the animal food price and medicines and inability to find medicines resulted in the death of the chickens. | Provisions should be used in a manner they were approved by the projects and to achieve the objectives. |
| (c) | Items of equipment worth Rs.984,692 provided by the Ambalantota Divisional Secretariat for a mushroom related project remained idle for more than a period of one year.  | As it was difficult to sale the mushroom related products due to the economic crisis and the rising cost of production, production has been halted.  | The distributed materials and equipment should be used for the relevant purpose.                        |

### 3.2 Projects Implemented by Local Funds

The following observations are made.

| <b>Audit Observation</b>   | <b>Comment of the Accounting Officer</b>  | <b>Recommendation</b>  |
|--|---|--|
| (a) By the Saubhagya Production Village Programme implemented in the year 2021, the Suriyawewa Divisional Secretariat had spent Rs.1,950,798 for providing water pipes in order to lay new pipes from the pumping station near the tank of the Darmadutha water project up to the Usgala water tank system under the infrastructure development. Instead of PVC PNT 11 | It has been informed according to the letter of the National Community Water Supply Department that an overpayment has not been made. | Action should be taken in accordance with Financial Regulation 156 (i) |

pipes estimated for supply and laying PVC pipes for 96 meters indicated under the work item No.02 of the payment report, type 7 pipes had been used, resulting in an overpayment of Rs.114,897.

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|---|---|---|
| <p>(b) Under the Rural Livelihood Development Programme-2022, tin roofing sheets worth Rs. 389,000 had been distributed among 16 person involved in the clay brick industry, while tin roofing sheets worth Rs. 970,000 had been distributed among 50 low-income beneficiaries involved in the brick industry, of which tin roofing sheets distributed among 18 beneficiaries were not used for making sheds.</p> | <p>It has been informed to complete the works and to recover the benefits from those who do not comply with it.</p> | <p>Funds should be productively used and expected objectives of the project should be achieved.</p> |
|---|---|---|

### 3.3 Procurement

The following observations are made.

| Audit Observation   | Comment of the Accounting Officer  | Recommendation  |
|---|--|---|
| <p>(a) Even though a formal contract agreement should be prepared and signed for the purchase of goods and services in excess of Rs. 500,000 in accordance with Paragraph 8.9.1 (b) of the Government Procurement Guidelines, 2006, the District Secretariat had not entered into an agreement in the purchase of goods worth Rs. 9,859,653 during the year under review.</p>   | <p>Action will be taken to purchase goods after signing a formal agreement in due course.</p>  | <p>Agreements should be reached in accordance with Paragraph 8.9.1 (b) of the Government Procurement Guidelines</p> |
| <p>(b) Although provisions of Rs. 8,486,250 had been approved for orchid cultivation promotion project within the Angunukolapelessa Divisional Secretariat division, plants worth Rs. 2,635,000 could not be purchased due to the delay in the procurement activities. As such, it had not been possible to use the other expenditure of Rs. 6,052,762 incurred for the project for the achievement of the expected objectives.</p> | <p>Although bids were called for the purchase of orchid plants on 12 July 2021 and orders were placed on 11 October, plant could not be purchased.</p> | <p>Provisions should be used in a manner they were approved by the projects and to achieve the objectives.</p>      |

### 3.4 Assets Management

| <b>Audit Observation</b>   | <b>Comment of the Accounting Officer</b>                                 | <b>Recommendation</b>                                    |
|--|--|--|
| The inventory items should be necessarily handed over in the event of transfers. However, a Divisional Secretary and two accountants had carried away three tab computers of the Beliatta Divisional Secretariat, while an Elderly Promotion Officer had carried away a digital camera and a memory chip. Despite a time period ranging from 01 to 04 years having elapsed since the incidents, those assets had not been recovered. | In January 2023, the officers have been informed to hand over the items. | Action should be taken against the responsible officers. |

### 3.5 Losses and Damages

The following observations are made.

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>                                 | <b>Recommendation</b>   |
|---|--|---|
| (a) In accordance with Financial Regulation 104 (4), a full report on losses and damages should be furnished within three months from causing such incident, whereas full reports regarding accidents and damages valued at Rs.123,187 caused on 05 occasions from the year 2018 to 2022 had not been submitted even by 14 March 2023, the date of audit. | It is notified that the information will be checked and submitted again. | Full reports should be furnished in accordance with Financial Regulations.                    |
| (b) No action had been taken according to Financial Regulation 104 (1) regarding two vehicle accidents totaling Rs.248,245 caused 10 years ago on 02 occasions.   | It is notified that the information will be checked and submitted again. | Action should be taken in accordance with Financial Regulations regarding losses and damages. |

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|-----|---|--|--|
| (c) | Inquiries into the accident caused on 10 October 2022 to the cab belonging to the District Secretariat had not been conducted as per Financial Regulation 104 (3).  | It is notified that the information will be checked and submitted again.   | According to Financial Regulations, action should be taken regarding the accidents without delay.      |
| (d) | The recommendation given to recover Rs. 56,747 and Rs. 12,750 from the subject clerk regarding the accident caused to a jeep on 31 July 2013 and a cab on 12 October 2015, as well as the recommendation given by the final report regarding the accident caused to a vehicle on 08 January 2018, had not been implemented even by 14 March 2023. | It has been informed that the appeal submitted by the relevant clerk on 28.10.2021 is being considered and that the loss that was not recovered from the insurance coverage for the accident caused on 08.01.2018 will be recovered from the relevant officer. | Action should be taken without delay in accordance with the recommendations given by the final report. |

### 3.6 Management Weaknesses

#### Audit Observation

The overpayment of pensions totaling Rs.3,912,834 made to 31 pensioners by 10 Divisional Secretariats as at 31 December of the year under review remained receivable.

#### Comment of the Recommendation Accounting Officer

Further action is being taken regarding pensioners. Overpayments should be recovered without delay.

### 4. Good Governance

#### Rendering Services to the Public

#### Audit Observation

A total of 40 Grants and 57 licences issued by the Ambalantota Divisional Secretariat from the year 2014 had been retained in the office without handing over to the relevant beneficiaries of the Grants/licences, even by 18 January 2023.

#### Comment of the Recommendation Accounting Officer

Relevant officials have been informed to hand over the Grans and licences expeditiously. Action should be taken to hand over the Grants without delay.