

## **Head 275 – Polonnaruwa District Secretariat - 2024**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 275- The audit of the financial statements of the Polonnaruwa District Secretariat for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Polonnaruwa District Secretariat was issued to the Accounting Officer on 30 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 30 May 2025 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 fair view in all materialities of the financial statements of the Polonnaruwa District Secretariat for the year ended 31 December 2024 in accordance to the financial position, financial performance and cash flows, the basis of preparation of the financial statements mentioned in Note 1 of the financial statements.

#### **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 Responsibility section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Emphasis of Matter – Basis of the Preparation of Financial Statements**

It is drawn attention to Note 1 of the financial statements, which described the basis of the preparation of these financial statements. The financial statements have been prepared for the needs of the Polonnaruwa District Secretariat, the Treasury and Parliament in accordance with Government Financial Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Polonnaruwa District Secretariat, the Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

#### **1.4 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

The Accounting Officer is responsible for the preparation of financial statements that give a fair view in accordance with Government Financial Regulations 150 and 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 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.

#### **1.5 Auditor's Responsibility 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 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.

## **1.6 Comments on the Financial Statements**

### **1.6.1 Accounting Deficiencies**

#### **(a) Capital Expenditures**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The value of the Nila Sewana buildings belonging to 07 Divisional Secretariats in Plonnaruwa District had not been assessed and accounted.	It has been submitted to the Valuation Department for valuation.	Assets should be valued and accounted accurately using a formal procedure.

#### **(b) Lack of Audit Evidences**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) Although the total expenditure incurred yet in relation to phases I, II and III of the construction of the un-completed District Secretariat Administrative Complex was Rs. 2,024 million, a discrepancy of Rs. 131 million was observed due to only Rs. 1,893 million being accounted under work-in-progress and the information required to identify that difference was not submitted to the audit.	When accounting, a difference has been shown due to that the accounted values before programming ITMIS in the year 2018 had not included in it.	Reconciliations should be done properly and the correct balance should be included in the financial statements.

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| <p>(ii) Due to the non-submission of specifications and delivery documents and survey reports related to the expenditure of Rs. 283 million spent on the procurement of furniture in Phase III of the construction of the District Secretariat Administrative Complex, the incurred expenses could not be satisfactorily checked in the audit.</p>   | <p>A copy of quantity sheet for Phase III is hereby provided.</p>                             | <p>Sufficient evidences should be submitted to the audit to confirm the expenses.</p>      |
| <p>(iii) Due to non-completion of construction works within the contracted period of the District Secretariat Administrative Complex, a total of Rs. 155 million as Rs. 39 million, Rs. 92 million and Rs. 24 million were paid for price variations for the first, second and third phases respectively for the subsequent price increases and the necessary evidences to confirm the accuracy of the relevant calculations was not submitted to the audit.</p> | <p>The files with attached copies of bills had been provided by the Engineering Division.</p> | <p>All evidences requested by the audit should be provided to verify price variations.</p> |

## 2. Report on Other Legal Requirements

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

- (a) The financial statements are consistent with the previous year
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

### **3. Financial Review**

#### **3.1 Revenue Management**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The fees charged by the Divisional Secretariats for issuing Income Assessment Forms were increased by 10 percent by the Public Finance Circular No. 351 dated 06 February 1997, pursuant to the Ministry of Public Administration's Divisional Administration Circular No. 102 dated 13 January 1997. Similarly, the Public Finance Circular No. 359 dated 28 March 2001 increased the fee by 15 percent, and accordingly, the fee charged for Income Assessment Forms before 6 February 1997 should have been 1.265 percent after 28 March 2001, but due to the fact that the Divisional Secretariats had charged fees on Income Assessment Forms at a rate of 0.265 percent less, a revenue of Rs. 1.94 million had been lost in the year 2024.	According to the Circular No. 97/02 issued on 13 January 1997 by the Ministry of Public Administration and Home Affairs, actions have been taken to issue income certificates by charging a fees of 1 percent from the revenue. Subsequently, it has been informed to issue the revenue certificates at a fees of 1.27 percent by a letter dated 25 November 2024 in accordance with Circulars Nos. 351 and 395 issued by the Department of Public Finance.	Actions should be taken to correctly collect the fees charged for revenue certificates in accordance with the circular and a formal investigation should be conducted and the lost revenue should be recovered from the responsible parties.

#### **3.2 Expenditure Management**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The allocations received for the construction of buildings during the period from the year 2016 to 2024 had been remained unutilized in 4 percent to 54 percent.	Payments have been done for the bills submitted by the construction company based on the value of the work done.	Estimates should be prepared very accurately and realistically and a programme should be prepared to optimally utilize the estimated provisions for the development of the area.

### 3.3 Utilization of Funds provided by Other Ministries and Departments

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) An amount of Rs. 70 million was spent on 553 projects outside of the projects implemented with the primary objective of minimizing regional disparities through a proper rural development approach and creating sustainable development in the country in accordance with Circular No. NPD/DCB/2024/GEN dated 29 December 2023 and Circular No. MF/02/2023 issued by the Ministry of Finance, Economic Stabilization and National Policies in relation to the Decentralized Budget Programme.	Efforts have been done to utilize the provisions allocated for the district for productive projects and achieve positive results.	Actions should be taken against parties who have selected projects outside the intended purpose without complying with the circular instructions and priority should be given to projects that achieve the desired objectives.

### 3.4 Certification to be done by the Chief Accounting Officer

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Accounting Officer should have made certification regarding the following matters, but actions had not been taken accordingly.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) The Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the District Secretariat and the effectiveness of the system should be reviewed and necessary changes should be made accordingly to make the system effective and those reviews should be made in writing and a copy should be submitted to the Auditor General,	Action will be taken in future as indicated by the audit.	Should be complied with the provisions of the Act.

but statements that such reviews had been conducted were not submitted to the audit.

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| <p>(ii) Although the Accounting Officer shall ensure that all audit queries are answered within the specified time frames as required by the Auditor General, an audit query submitted to the District Secretariat during the year under review had not been answered even at 16 September 2025 and the value of the relevant non-countable transactions in those queries was Rs. 20.5 million.</p> | <p>Action will be taken to give the answers.</p> | <p>Answers should be submitted within the specified time period, along with the explanations of the Accounting Officer.</p> |
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### 3.5 Informal Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Payments for Rs. 283 million had been made as variable costs for Phases I, II and III during the construction of the Polonnaruwa District Secretariat Administrative Complex and the approval obtained to carry out the construction with a variance of 17 percent over the estimates was not submitted.	Actions have been taken to obtain approval.	Formal approval should be obtained when exceeding approval limits and that approval should be submitted to the audit.
(b) Total payment of Rs. 12.99 million had been made without approving variation orders in relation to 03 payment vouchers related to the construction of the District Secretariat Administrative Complex.	Actions have been taken to obtain approval.	Relevant approvals should be obtained before making payments and action should be taken against officers who do not act accordingly.

### 3.6 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Action had not been taken in accordance with the Financial Regulations regarding deposit balances of Rs. 164 million and Rs. 32 million respectively, which were over 05 years and over 02 years.	Action will be taken to settle the balances.	A formal inspection should be done and actions should be taken to settle the deposit balances in accordance with Financial Regulations.

### 3.7 Surcharges

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Rs. 9.3 million had been paid as per the 36 <sup>th</sup> bill relation to the construction of Phase II of the District Secretariat Administration Building by voucher No. 12/02 dated 01 December 2023. An excess payment of Rs. 1 million had been made as Rs. 135.7 million for the cumulative value of the variances in accordance with the bill related to that voucher.	Since the work on the Phase II project has not been completed 100 percent, this overpayment will be checked and corrected in future submitted bill or final bill.	Action should be taken to recover the overpaid amount and formal actions should be taken against the officers responsible for the overpayment.

## 4. Operational Review

### 4.1 Non-performance of Duties

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although a period of 06 years had passed since the Ministry of Justice and Prison Reforms informed the Hingurakgoda Divisional Secretary through a letter dated 27 July 2019 that there was no objection from the	Although the Ministry of Justice and Prison Reforms has informed that there is no objection to handing over this land to the Pradeshiya Sabha, a request has been made to Inter-	Immediate action should be taken to hand over the land for basic purposes in accordance with the existing agreement with the relevant institutions.



Ministry of Justice and Prison Reforms regarding the transfer of land located in the premises of Hingurakgoda Magistrate's Court to the Hingurakgoda Pradehiya Sabha for the construction of an official building complex of Lawyers, action had not been taken to transfer that land to the Pradehiya Sabha.

provincial Land Commissioner to convene the Bar Association and the Pradehiya Sabha and provide a solution to this problem due to that a written request had been made to hand over this land to the Bar Association.

- (b) 160 Rural organizations have been established in 06 Divisional Secretariat Divisions in the Polonnaruwa District under the Gemidiriya Project implemented under the Ministry of Economic Development and an amount of Rs. 517.7 million had been provided to those rural organizations. Although those rural organizations should have been identified and their supervision should have been implemented by the District Secretariat, some organizations have become inactive by now due to the lack of such supervision and action had not been taken to identify and active the relevant societies and to re-use the money in bank accounts and the possession of various parties to the objectives of those societies and the value of identified inactive bank account balances as at 31 December 2024 was Rs. 56.6 million.

A letter was sent to the Registrar of Companies requesting information and the societies are currently being identified based on the information received from the divisional level and effort is being taken to audit and actively maintain the active societies.

A system should be prepared and implemented to identify rural organizations and supervise them by the District Secretariat.

## 4.2 Non-achievement of Expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The Divisional Secretariats of the Polonnaruwa District had provided 28,797 chicks worth Rs. 11.6 million to family units with the aim of developing the livelihoods of the rural people and increasing family nutrition through the providing of chicks to family units under the Rural Development Programme of “Gama Samaga Pilisadara” in the year 2022. Although the supplier should have taken action to provide the chicks again as per the entered agreement due to the death of 22,265 chicks worth Rs. 09 million, only 3,959 chicks were provided during the year under review.	The District Secretariat and Divisional Secretariats are continuously follow-up on this matter and actions are being taken to success the project by bringing the remaining chicks as soon as possible and giving them to the beneficiaries.	Immediate actions should be taken to provide chicks from the supplier in accordance with the agreement.
(b) Due to the non-delivery of 4,816,652 kilograms of rice due to the government under the paddy purchases programme implemented from the 2019/20 Maha Season to the 2022/23 Maha Season under the direction of the Polonnaruwa District Secretariat, an amount of Rs. 395 million still had to be recovered from the paddy mill owners.	Actions are being taken to recover.	A formal investigation about the process of purchasing and distributing rice should be conducted and the necessary steps should be taken against the responsible parties and recover the outstanding amounts.

## 4.3 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The permanent ownership of lands worth Rs. 143.94 million, which were accounted under the Ledger Account No. 9153 of the Non-Financial Assets of the Elahera, Hingurakgoda, Lankapura and Medirigiriya Divisional Secretariats, had not been taken over to the Divisional Secretary.	Land acquisition activities are being done.	Action should be taken immediately to acquire the ownership of the land.

#### 4.4 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although a period of 06 years had passed since the expected completion date for the construction of the Polonnaruwa District Secretariat Administrative Complex, delay charged had not been charged for that and the contractor had charges a delay charges of Rs. 4 million due to delays in payments during the Phases II and III of the construction of the office complex.	Delay charges cannot be charged from the contractor due to that the reasons for the delay in the contract have been submitted and taken approvals for the time exceeding.	A formal investigations should be conducted and actions should be taken to collect the delay charges for unusual delays as per the agreement.

#### 4.5 Uneconomic Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although approval was given under Phase III for the purchase of essential furniture in accordance with the Cabinet decision dated 17 June 2019 regarding the construction of the new administrative building of the District Secretariat, 6 out of 26 02- story beds and 12 out of 52 mattresses in the purchased at Rs. 1.8 million had been unused and kept in the warehouse. Furthermore, although it was confirmed that kitchen equipment worth Rs. 6.7 million had been supplied and fixed in the year 2023 and payments had been made, the equipment had not been fixed and used for the required purposes as at the audited date of 28 April 2025.	Due to it has been proposed to establish 28 institutions belonging to the District Secretariat and consultancy institutions within the new office, the required number of beds for the rest rooms for the drivers of those institutions had been ordered and currently, the rest room has been set up with beds allocated for the number of drivers who actually take a rest and the remaining beds are being stored. Action will be taken in future to provide them to government offices or institutions through a proper system and although kitchen equipment are has been provided, the fixation has been delayed due to the cafeteria has been used for election duties in previously.	Attention should be paid to economy and the necessary quantity of assets should be acquired during the acquisition of assets and action should be taken against officers who had not been done accordingly and against officers who paid without confirming that the relevant equipment had been received.

#### 4.6 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The fund established for the aim of providing sanitation facilities and drinking water facilities to the people of the Divisional Secretariat by the Welikanda Divisional Secretariat in the year 2000 under the name of “Suwa Sewa Foundation” had Rs. 11.23 million even at 31 December 2024 and that money remained idle in the bank for a period of 24 years without being used for the purpose of the establishment of fund.	As discussed at the Audit and Management Committee meeting for the fourth quarter of the year 2024 held on 19 February 2025 in this regard, actions were taken to inform through a letter dated 27 February 2025. Furthermore, a letter was sent on 19 May 2025 seeking advice in this regard and further action will be taken after receiving the advice.	Formal action should be taken against all responsible parties who have kept the money idle in very long time without fluffing the intended functions of the establishment of the fund and further immediate decisions of the fund should be taken and implemented.
(b) The bad debt ratio of 07 Samurdhi Community Based Banks was between 11.46- 47.17 percent and attention had not been given to identify the irregular nature of these bad debts, recover them and take disciplinary actions against the responsible parties.	Investigations are being carried out.	Formal investigations should be conducted to identify the irregular nature debts within the bad debts, recover those debts and take disciplinary actions against the responsible parties.

#### 5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the carder information of the District Secretariat and 07 Divisional Secretariats, there were 11 vacancies in senior level posts, 08 vacancies in tertiary level posts and 176 vacancies in secondary level posts.	Action had been taken to report to the Treasury about vacancies.	Action should be taken to review and should be filled essential vacancies.