

## **Head-277- District Secretariat, Monaragala**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the District Secretariat, Monaragala for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The summary report containing my comments and observations on the financial statements of the District Secretariat, Monaragala was issued to the Accounting Officer on 29 May 2020 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, Monaragala was issued to the Accounting Officer on 20 May 2020 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the provisions in the State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the District Secretariat, Monaragala as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 qualified opinion.

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

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The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer and 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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatements 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 misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Secretariat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## 1.5. Report on Other Legal and Regulatory Requirements

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I express the following matters in accordance with Section 6 (1) (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) The financial statements were consistent with the preceding year.
- (b) The recommendations made by me with regard to the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement of Financial Performance

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Even though a sum of Rs.313,500 paid by the Divisional Secretariat, Bibila for the purchase of computers should be brought to account under the Object of Office Equipment No.277-1-1-0-2102, it had been brought to account under the Object of Plant and Machinery No.277-1-1-0-2103.	Objects should be categorized according to the Financial Regulations and brought to account according to their standardization.	Accepted. Estimates were prepared to purchase items in the form of machinery under the Object No.277-1-1-0-2103 and the items in the form of furniture under the Object No.277-1-1-0-2102 and instructions have been given to follow that procedure.
(ii) A sum of Rs.98,440 paid by the Divisional Secretariat, Medagama for the purchase of office equipment had been brought to account under the Object of Stationery and Office Requisites No.277-1-2-0-2101 without being brought to account under the Object No.277-1-1-0-2102.	Objects should be categorized according to the Financial Regulations and brought to account according to their standardization.	Action will be taken to minimize these shortcomings in the future.

## 1.6.2 Certification to be made by the Accounting Officer

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In terms of Section 38 of the National Audit Act.No.19 of 2018 the Accounting Officer should ensure that an 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. Further the reviews should be made in writing and the copy there of should be presented to the Auditor General. Nevertheless, the statements in support of making such observations had not been furnished to audit.

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

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Instances of non-compliance with Laws, Rules and Regulations observed at the audit test checks are analysed below.

	<u>Observation</u>		Recommendation	Comments of the Accounting Officer
	Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance	
(a)	Section 89 of the Agrarian Development Act No. 46 of 2000 as amended by the Agrarian Development Act No. 46 of 2011, Sections 16 (1) and 16 (2) of the Water Resources Board Act No. 29 of 1964 and Extraordinary Gazette Notifications 2010/23 dated 16 March 2017 of the Democratic Socialist Republic of Sri Lanka.	13,000,000	The Divisional Secretariats of Buttala, Badalkumbura and Madulla had not obtained approval in the construction of 33 agrarian wells under the agrarian wells construction project.	Required Legal approvals should be obtained in the implementation of the project. Letters required for approval have been submitted.

- (b) Asset Management Circular No. 01/2018 dated 19 March 2018 and public Finance Circular No. 1/2015 dated 10 July 2015. - Although many years have elapsed since the cab, tractor, plough and motor bike which were in unusable condition and not included in the register of fixed assets had been taken out of use, the Madulla Divisional Secretariat had not disposed of them. Disposal should be done in accordance with the circular instructions. Approval for disposal has been received from the Ministry of Public Administration, Home Affairs, and Provincial Councils and Local Government.

## 2. Financial Review

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### 2.1 Imprest Management

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Audit Observation	Recommendation	Comments of the Accounting Officer
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The unsettled imprest balance as at 31 December of the year under review was Rs.5,494,393.	The imprest account balance as at the end of the year should be settled to the Treasury.	Action will be taken to settle this amount after it is reimbursed by the Election Commission.

### 2.2 Expenditure Management

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The matters observed on the preparation of annual budget estimates, transfer of provisions, utilization of provisions and savings are given below.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Provisions of Rs.9,000,000 had been made by the Budget Estimates for the payment of overtime and holiday pays. In incurring expenditure, another Rs. 2,000,000 had been transferred as per Financial Regulation 66 and 69 and Rs. 10,983,399 had	Action should be taken to incur expenditure in accordance with the circular instructions.	Due to the increase in the basic salary scales as per the Public Administration Circular 03/2016 and the non-receipt of the allocations requested from the Annual Budget

been spent on overtime and holiday pay during the year under review. Although it had been stated by paragraph 02 (iii) of the Budget Circular No. 04/2019 dated 17 June 2019 that the provisions of the Establishments Code and Circulars should be strictly adhered to in the payment of overtime allowances, expenditure had been incurred without paying attention to those provisions.

Estimate, provisions were inadequate and therefore, provisions were transferred with the approval of the Treasury and made payments in accordance with the Establishments Code and provisions of the Circulars.

(b) The budget estimate had made provisions of Rs. 8,200,000 for travelling expenses and another Rs. 3,000,000 had been transferred to this Object as per Regulations 66 and 69 of which Rs.11,195,358 had been spent. Although it had been stated as per the paragraph 02 (i) of the Budget Circular No. 04/2019 dated 17 June 2019 that the circular instructions should be strictly followed in the payment of travelling expenses, no action had been taken accordingly.

Action should be taken to incur expenditure in accordance with the circular instructions.

As per the Public Administration Circular No. 20/2018 dated 21 August 2018, due to the increase in the combined allowance rates and the increase in the travelling allowances of the Grama Niladharis, the provisions allocated were insufficient and therefore, provisions were transferred with the approval of the Treasury and payments were made as per the Establishments Code and Circular Provisions.

### 2.3 Deposit Balances

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The following observations are made.

(a) Measures in terms of Regulation 571 (3) had not been taken in connection with the contract retention money amounting to Rs. 10,506,198 older than a period of two years.

Action in accordance with the Financial Regulations had not been taken in connection with the lapsed retention money of the contracts.

Accepted.  
Due to receipt of insufficient imprests from the Treasury, Financial Regulation 571 (3) could not be complied with. Instructions have been given to analyze the

industry in the future and make payments and to act in accordance with Financial Regulation 571 (3).

- (b) For the completion of the first phase of the Bibila Divisional Secretariat Building, Value Added Tax of Rs. 5,614,590 had been credited to the General Deposit Accounts. Out of this amount, Rs. 2,318,000 had been credited to Sundry Deposit Account on 31 December 2018 and Rs. 3,296,590 had been credited to Security Deposit Account on 31 December 2019. The value added tax clearance certificate had not been submitted by the contractor for more than one year to receive the tax credited to the deposit account on 31 December 2018 and the Value Added Tax was credited to the General Deposit Account on 31 December 2019 as well.
- Value Added Tax should be paid to the contractors who submitted the clearance certificate and the tax should not be credited to the deposit account for subsequent payments.
- Accepted. Taxes have been transferred to the Deposit Account as valid clearance certificates have not been submitted. This balance will be credited to Government Revenue if no longer valid clearance certificates are given.
- (c) Out of the remaining administrative expenditure of Rs. 91,989 pertaining to 4 projects implemented by the Buttala Divisional Secretariat in the year 2017, a sum of Rs. 83,700 had been spent on the purchase of a Laptop computer without being complied with Financial Regulation 571 (3).
- There is a specific Object under the Head 277 for the purchase of computers and these expenses should be borne by the provisions allocated for that purpose. The administrative expenses received for the implementation of development projects should not be used for other purposes.
- Instructions were given to act in accordance with Financial Regulations in future.

## 2.4 Advance Account Balances

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Audit Observation	Recommendation	Comments of the Accounting Officer
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The total debt balance receivable from the officers who were transferred, deceased, retired, interdicted, and the resigned officers was Rs. 2,773,724 and it included a balance of Rs.2,283,069 exceeding a period for more than 5 years.	Action should be taken to recover the outstanding debt balance.	Action will be taken to settle the balances.

## 3. Operating Review

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### 3.1 Projects Executed by Domestic Funds

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Relating to the performance of less work out of the work to be done on projects implemented by 08 Divisional Secretariats, use of inapplicable price rates, non-compliance with instructions of the Highway Schedule of Rates, making overpayment for completed work and non-preparation of the estimates in favour of the Government, a total of Rs.5,267,816 had been overpaid to the contractors and a sum of Rs.4,228,858 had been recovered from the overpayment made as at 11 June 2020.	The preparation of estimates and payment reports should be carried out correctly and responsibly and the overpaid balance should be recovered.	Details and explanations of the recovery of charges related to these projects have been provided.



- (b) Under the Gamperaliya Development Programme, the Monaragala Divisional Secretariat had spent Rs. 1,932,747 in order to reconstruct the Akkara 07 Road and Akkara 07Anapallama Road in Maduruketiya by laying concrete in 2018 and 2019. About a year after the completion of the Akkara 07road and about 7 months after the completion of the Maduruketiya Akkara 07Anapallama road, stones on the both roads could be observed detached on the surface.
- Construction should be carried out according to the proper standard and it should be ensured that the relevant work has been completed properly before making the payment.
- Parts of the roads have been repaired and the contractor has been informed to repair the rest.
- (c) Under the Gamperaliya 2019 programme, the Monaragala Divisional Secretariat had entered into an agreement to renovate 900 meters of the road via Marawa KivuleAra to Bubula at a cost of Rs. 970,000 and paid Rs. 821,166 for 750 meters of road development. Potholes were also observed on several places of the road and although the contractor had not completed the project on the due date, no relevant delay charges had been levied. Likely, no action had been taken against the contractor for non-performance of the contract in conformity with the agreement.
- The work should be completed according to the estimate, and payments should be made after completion of the project.
- Out of the amount of Rs.97,100.44 which is 10 percent of the contracted amount, a sum of Rs.82,116.69 has been credited to Government Revenue. Action will be taken to recover the remaining amount. Some parts of the road have been rehabilitated from potholes.
- (d) The Badalkumbura Divisional Secretariat had spent Rs. 678,390 relating to the project for the construction of the playground at Mo/Muthukeliyawa MahaVidyalaya, under the Gamperaliya 2019 programme. The ground was prepared for the construction of a new playground in a jungle area near the school playground and it was found that stones had appeared on the ground and the playing on the ground was problematic.It was also observed that the school had a suitable place to play volleyball, and that a higher cost would have to be incurred for the newly prepared ground to convert it as suitable for volleyball playing, and that there would be no optimal return on the money spent.
- Prior to the implementation of project proposals, the resulting benefits should be evaluated and the project should be implemented accordingly.
- Due to the lack of other suitable public lands and the reluctance of the authorities to carry out construction within the school playground, the construction work was carried out at the relevant place to the maximum extent within the allocated limit of provisions.

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| <p>(e) The Divisional Secretariat, Bibila had spent Rs. 902,450 on 31 December 2018 for the implementation of the Wegama South Mawatha Water Project under the Rural Economic Development Promotion Programme 2018. It was observed that the water project was not operational until 16 October 2019 and it was necessary to install a water motor and set up a distribution pipe system to make it operational.</p>  | <p>Necessary measures should be taken to make the project effective and functional.</p>   | <p>The project has been completed according to the amount of funds allocated for the project. It has been informed that provisions have been requested to install a motor as the second phase of the project and it is expected to act accordingly in the future.</p> |
| <p>(f) For the reconstruction of the road from Thenagallanda Junction to Iththekatuwa Tank using gravel under the Gamperaliya 2019 programme, the Monaragala Divisional Secretariat had entrusted the construction work of the project with a contract value of Rs.1,940,000 to an Agrarian Organization. According to the agreement, the project was to be completed before 21 November 2019, whereas construction had not been commenced even by 14 January 2020, the date of inspection.</p> | <p>Construction should be carried out in accordance with the agreement and necessary action should be taken in connection with default of the contract.</p> | <p>This work has been continued and provisions have been requested for the year 2020. Future steps will be proceeded with soon after the provisions are received.</p>   |

### 3.2 Procurements

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The following matters were observed.

Audit Observations	Recommendations	Comments of the Accounting Officer
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<p>(a) In accordance with Supplementary No. 34 for the Procurement Guidelines dated 09 July 2018, although the maximum limit of goods and services that can be purchased under the shopping method is Rupees one million, In defiance of this, the Siyambalanduwa Divisional Secretariat had purchased goods worth Rs. 2,382,310 in excess of that limit under two procurement decisions.</p>	<p>The provisions of the Procurement Guidelines should be adhered to.</p>	<p>Accepted. Action will be taken to prevent such situations in the future.</p>

- (b) Thanamalwila Divisional Secretariat had spent Rs. 1,237,000 for the purchase of 70 desks, 77 benches, 06 teacher's desks and 10 teacher's chairs, and Rs. 900,000 for the purchase of 46 water motors of 1 inch and Rs. 600,000 for 52 lawn mowers to distribute among various parties. Although an agreement has to be reached regarding goods or services exceeding Rs.500,000 as per paragraph 8.9.1 (b) of the Government Procurement Guidelines 2006, no agreements had been reached regarding these purchases and the Government Procurement Guidelines, 2006 had not been followed for the purchase of desks, benches, teacher desks and teacher chairs.
- The provisions of the Procurement Guidelines should be adhered to.
- Accepted. Action will be taken in accordance with the provisions of the Procurement Guidelines for future purchases.
- (c) For the purchase of 117 desks and 113 benches under the two programmes of the Underdeveloped Dhamma Schools Improvement Program and the Kandyan Heritage Protection Programme, the Wellawaya Divisional Secretariat had incurred an expenditure of Rs. 1,072,300. The following matters were observed in this regard.
- (i) According to paragraph 8.9.1 (b) of the Government Procurement Guidelines 2006, a formal contract agreement for a goods and services contract exceeding Rs. 500,000 should be signed, whereas no such action had been taken with regard to the purchase of these goods.
- The provisions of the Procurement Guidelines should be followed.
- Accepted. Steps will be taken to avoid such shortcomings in future projects.
- (ii) The Condition No. 09 of the bidding document relating to the desks and benches stipulates that if orders are not delivered within 7 days from the date of placing the order, a penalty of 0.2 per cent will be levied for each day of delay, whereas no penalty had been levied even if the order was not properly delivered.
- Penalty for delays should be levied as stated in the bidding document.
- The Divisional Secretary has informed that the paragraph was included in the agreement due to an error. Officials have been informed to exercise caution and due care in the future.

### 3.3 Losses and Damages

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The following matters were observed.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A cab belonging to the Wellawaya Divisional Secretariat had met with an accident on 18 September 2002 and caused a loss of Rs.375, 000. According to the Financial Regulations 104 (4) report, it had been decided to recover the loss from the driver and the Committee on Public Accounts held on 23 April 2013 had also directed to recover the loss from the driver. Although nearly seven years had passed since the issue of above directive, only Rs.75,000 had been recovered from the loss.	Action should be taken to recover the loss without delay.	A sum of Rs.75000 has been recovered. Advice has been sought to recover the remaining amount.
(b) A cab belonging to the Monaragala Divisional Secretariat had met with an accident on 23 March 2009 and the value of the resultant damage of vehicle due to the accident amounted to Rs. 3,175,702. The report of the Financial Regulation 109 regarding writing off the loss from the book was sent to the Ministry of Home Affairs on 16 July 2015 but approval was not obtained thereon. Although Rs. 3,175,702 had been spent to repair the cab, the approval of the Secretary to the Ministry had not been obtained as per Guideline 9.3.1 (b) of the Government Procurement Guidelines 2006, and the total cost incurred for the repair had to be borne by government funds due to not insuring the relevant cab.	Action should be taken to obtain the necessary approval.	There is no letter of approval issued by the Secretary to the Ministry and the approval has been given by the District Secretary who was on duty during that period. The cab had not been insured due to lack of adequate provisions.

- (c) A cab belonging to the Siyambalanduwa Divisional Secretariat had met with an accident on 23 December 2013 and caused a loss of Rs.123,574. Although it was stated in the investigation report of the Financial Regulation 104 (4) dated 27 January 2016 that 25 percent of this loss, that is, Rs. 30,893 should be recovered from the pension gratuity of the driver, the driver had been retired without being recovered the loss and regardless of that recommendation.
- Action should be taken to recover the loss without delay.
- The driver responsible for the loss has died and necessary action will be taken in the future.

### 3.4 Management Weaknesses

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Three hundred and eleven (311) units belonging to 12 items purchased by 04 Divisional Secretariats under various programmes in the years 2017 and 2018 had not been distributed among the beneficiaries.	Action should be taken to distribute the undistributed goods to the beneficiaries.	Action will be taken to distribute those items in the future.
(b) It was observed that the goods purchased by the Wellawaya Divisional Secretariat and the goods received from various parties for the distribution had been kept open in the Accountant's Government Quarters, in the bachelor quarters building which was about to collapse, in the office building and in the office premises due to the lack of storage facilities.	A formal stores management system should be maintained	This situation has arisen due to lack of storage facilities. Although funds were requested to build a store, it has not yet been received.

#### 4. Human Resource Management

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The following matters were observed.

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| (a) | According to the cadre information of 08 Divisional Secretariats, there were vacancies in 18 staff grade posts, 125 secondary grade posts and 06 primary grade posts.  | Necessary steps should be taken to fill the vacancies for essential posts. | Accepted.<br>The Ministry of Public Administration, Home Affairs and Provincial Councils and Local Government have been informed on the cadre information monthly. Action will be taken to minimize vacancies as far as possible. |
| (b) | According to Public Administration Circular No. 18/2001 dated 21 August 2001, the maximum period of service of an officer in a single workplace is 05 years. Nevertheless, 276 officers working in 08 Divisional Secretariats had been employed in the same work place for a period of 06 to 28 years. | Transfers should be made in accordance with the provisions of the Circular | The Ministry of Public Administration, Home Affairs and Provincial Councils and Local Government have been informed regarding the relevant vacancies through the cadre information monthly.                                       |