

**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, Anuradhapura 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 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 District Secretariat, Anuradhapura was issued to the Accounting Officers on 30 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 was issued to the Accounting Officer on 30 July 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 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, the accompanying financial statements prepared in accordance with the provisions in the State Account Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the District Secretariat, Anuradhapura 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 (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**1.3 Responsibility 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 such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the District Secretariat is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

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 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 presented were consistent with the preceding year.
- (b) The recommendations made by me in the preceding year with regard to the observations on Paragraph 1.6.1 of this report had not been implemented in the presentation of financial statements for the year under review.

## 1.6 Comments on Financial Statements

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### 1.6.1 Certifications to be made by the Accounting Officer

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Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of Section 38 of National Audit Act, No.19 of 2018 the Accounting Officer shall 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 and those review should be made in writing and submitted a copy thereof to the Auditor General. Nevertheless, stamens to confirm the fact that such review had been made were not presented to audit.	Action should be taken in accordance with the provisions in Section 38 of the National Audit Act, No.19 of 2018.	Specific internal control system will be implemented in future and reported.

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

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

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Reference to Laws, Rules and Regulations	Observations	Recommendation	Comments of the Accounting Officer
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(a) Section 13.2 of Chapter XLVIII Part II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Even though the officer ordering the preliminary inquiry should direct the Board of Inquiry the time frame within which the preliminary inquiry should be completed, since it had not been specifically notified to the Board of Inquiry as to when the preliminary inquiry should be completed, 04 such inquiries conducted by the District Secretariat during the last 06 years had not been completed until the end of the year under review.	Action should be taken in accordance with the Establishments Code.	Action will be taken to submit the unfinished inquiries on a specific date and to fix the due dates for completion of future preliminary inquiries.
(b) Paragraph 3.6 of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka	In cases where it is required to make purchase exceeding the expected quantity after calling for bids or purchasing items, purchase can be made up to 50 per cent of the bid at the same bid price. If it is necessary to purchase more than that, purchase should be made on a substantial discount or by re-calling for bids. Nevertheless, the roofing sheets had been purchased in excess of 50 per cent of the ordered quantity at the same price received as at the first bidding.	Action should be taken in accordance with the Procurement Guidelines	The financial variance (increase) related to the actual purchase is only 46 per cent. There was no enough time to call for tenders again.

### 1.6.3 Irregular Transactions

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The following observations are made.

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) In the construction of one building, a sum of Rs.2,478,156 had been paid in excess of the estimated value.	According to Guideline 8.13.4 of the Government Procurement Guidelines, the total cost estimate should be revised for variations and approved and action should be taken accordingly.	There may be a variance of 10 percent in the preparation of estimates, and since the variance in this estimate is 8.5 percent, it remains within the average variance range.
(b) Action had been taken deviating from the Procurement Guide in connection with 06 items of work worth Rs. 6,006,157 for which sub-contracts had been awarded.	Action should be taken in compliance with the Procurement Guidelines.	Even though action was taken deviating from the Guidelines due to not having enough time to call for competitive bids, measures were taken to complete it on time.
(c) There observed a shortage of electrical equipment worth Rs. 122,520 purchased for the project.	Having conducted an inquiry on the shortage necessary action should be taken.	This matter will be discussed with the Navy which carried out the construction and having conducted an investigation, it will be reported.
(d) As purchase had been made without properly identifying the requirements, at the end of the construction work, the remaining construction materials were auctioned at a lower price, thus resulting in a loss of Rs. 239,714.	An effective internal control system should be followed for stock control of raw material and their purchases.	This loss could not be avoided by not being able to accurately estimate the required quantities due to time constraints.
(e) Fifty one items of equipment and tools worth Rs. 186,000 purchased for construction had not been returned by the construction institutions.	Those items should be taken back and inventoried.	Action will be taken to get back such items from the Navy or to include in their inventories.

## 2 Financial Review

### 2.1 Utilization of provisions made by other Ministries and Departments

Audit Observations	Recommendation	Comments of the Accounting Officer
Provisions totaling Rs. 5,916 million comprising Rs. 5,159 million, Rs. 391 million and Rs. 366 million had been granted by 21 Ministries, 21 Departments and 2 offices respectively for recurrent and capital expenditure. At the end of the year under review, a total of Rs. 4,691 million had been utilized, thus saving Rs. 1,225 million or 21 per cent of the provisions made. Out of the provisions made for 06 Ministries during the year under review for capital expenditure, 17 per cent to 78 per cent of the provisions had not been utilized.	Allocations made from other Ministries and Departments should be effectively utilized.	Not replied

## 3. Operating Review

### 3.1 Non-receipt of expected benefits

Audit Observations	Recommendation	Comments of the Accounting Officer						
Since the physical progress of 04 projects planned to be implemented on provisions totalling Rs.53,857,691 by 04 Divisional Secretariats was Rs.27,239,894 or about 51 per cent, it had not been possible to receive expected benefit.	Having conducted a progress review, appropriate arrangements should be made for the completion of projects during the year.	Not commented.						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Program and Project Divisional Secretariat</th> <th style="text-align: right;">Total Provision</th> <th style="text-align: right;">Expenditure as at 2019.12.31</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">(a) Grama Shakthi People's Movement - Palugaswew</td> <td style="text-align: right;">18,900,435</td> <td style="text-align: right;">11,622,150</td> </tr> </tbody> </table>	Program and Project Divisional Secretariat	Total Provision	Expenditure as at 2019.12.31	(a) Grama Shakthi People's Movement - Palugaswew	18,900,435	11,622,150	- Do -	- Do -
Program and Project Divisional Secretariat	Total Provision	Expenditure as at 2019.12.31						
(a) Grama Shakthi People's Movement - Palugaswew	18,900,435	11,622,150						

(b) Rural Facility Development Programme - Kekirawa	Reconstruction of the relevant circular road from Ganewalpola school junction with laying stones.	21,080,713	12,115,344	- Do -	- Do -
(c) Rural Facility Development Programme - Mihinthale	Reconstruction of A9 road from Jayanthi junction to Gemunu Vidyalaya	12,876,543	3,502,400	- Do -	- Do -
(d) Grama Shakthi People's Movement - Thirappane	Construction of agricultural road from the Padiketuwewa through Old paddy field	1,000,000	--		

### 3.2 Delays in the Execution of Projects

#### Audit Observations

#### Recommendation

#### Comments of the Accounting Officer

A sum of Rs. 8,510,800 had been allocated for the rehabilitation of the road from Jayanthi Junction to Gemunu Maha Vidyalaya on the Mihintale A9 Road under the Special Infrastructure Development Program 2019. Although provisions totaling Rs. 4,759,400 comprising Rs. 320,500, Rs. 378,900 and Rs. 4,060,000 had been respectively allocated for the construction of side drains on either sides of the road, construction of Hume Pipe culvert and carpeting the road by applying asphalt, those works had not been done even by 20 February 2020.

The project should be completed expeditiously obtaining approval of the relevant Ministry for its continuation.

The project could not be completed due to the rains experienced in December and has been referred to the Ministry for its approval as a continuous project of 2020.

### 3.3 Projects without progress despite the release of funds

Audit Observations	Recommendation	Comments of the Accounting Officer
<p>The Ministry of Resettlement, Rehabilitation, Northern Development and Hindu Religious Affairs has allocated Rs. 250 million in 2018 to provide microfinance loan facilities in the Anuradhapura District under the Loan Facilities Programme implemented for the people in the North and North Central Provinces. The provisions had been released to the North Central Provincial Cooperative Development Department in January 2019 to implement the programme and the Department had entered into an agreement with the Anuradhapura District Cooperative Rural Banking Association. As at 31 December 2019, only Rs. 6.5 million had been disbursed under the programme and accordingly, out of the provisions made, a sum of Rs. 243.5 million or 97.39 per cent had not been utilized for the relevant project.</p>	<p>The criteria set out in the project proposals should be revised and the loan disbursement process for the expected objectives should be expedited.</p>	<p>The project proposal has been referred to the relevant Ministry for revision of the credit criteria.</p>

### 3.4 Procurements

The following observations are made.

Audit Observations	Recommendation	Comments of the Accounting Officer
<p>(a) In the procurement relating to the construction of the fence at Thambuththegama Economic Center, action had not been taken as per the instructions given for the detailed bid evaluation to be carried out in comparison with the engineering estimate of the work contracts in accordance with Guideline 7.9.2 of the Procurement Guidelines. Accordingly, 5 qualified bidders who had presented the minimum prices had been rejected and a loss of Rs. 287,821 had incurred due to awarding the tender to the 6<sup>th</sup> highest bidder.</p>	<p>Action should be taken as per the Procurement Guidelines and measures should be taken against the parties responsible for the loss.</p>	<p>Not commented.</p>
<p>(b) In the procurement process relating to the renovation of Bicycle Parking Place at the District Secretariat at an engineering estimate of Rs. 4,884,950, a bidder had been selected at a price of Rs. 4,640,203. Although bid invitations had been sent by registered mail to 28 institutions, only two</p>	<p>Action should be taken in accordance with the provisions of the Procurement Guidelines.</p>	<p>Due to the fact that the invitation letters were sent by registered mail to 28 institutions, the letters were not</p>



bids had been forwarded by two bidders due to not providing sufficient information to make contract decisions during the procurement process and non-receipt of those bid invitations. Eight bidders who had been sent bid invitations did not have ICTAD registration with C7 or 8, and addresses of three bidders had changed. Likely, the audit also confirmed that three other bidders had not received registration letters. Accordingly, this procurement was observed as contract awarded at 95 per cent of the estimated price without obtaining formal competitive bids.

returned and given sufficient time, the Technical Evaluation Committee and the Procurement Committee have satisfied that there was sufficient competition for this procurement

(d) In the procurement process relating to the purchase of zinc aluminum roofing sheets for the Gamperaliya Accelerated Development Program, a loss of Rs. 1,120,303 had been incurred due to the recommendation of the Technical Evaluation Committee to purchase roofing sheets at higher prices without purchasing those roofing sheets from the qualified bidder who had quoted the lowest bids.

Action should be taken in accordance with the Procurement Guidelines.

Since the BMC Roofing, a subsidiary of Mahagalkadawala Hardware, does not have 10 years of experience, the lowest bid was rejected.

### 3.5 Losses and Damages

#### Audit Observations

According to the Note II Format of the statement of writing off from the books presented for the year under review, out of the loss of Rs.2,459,248 caused to 16 vehicles during the period from the year 2012 to 2018, a sum of Rs.2,334,643 had been recovered. Nevertheless, approval had not been obtained to write off the losses and damages from the books by completing the relevant inquiries.

#### Recommendation

Action should be taken in accordance with the Financial Regulations

#### Comments of the Accounting Officer

Not commented.

### 3.6 Management Weakness

The following observations are made.

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Even though works less than the works prescribed in the engineering estimate had been carried out in the development of road from Maithripala Senanayake Mawatha to Kumbichchankulama Wewa by laying paving stones under the Gamperaliya Accelerated Development Program, a sum of Rs.41,584 had been over paid.	Necessary steps should be taken on overpayments, if any.	Payment will be re-checked at the time of payment and action will be taken to make payments according to the correct calculations.
(b) The government fee of Rs. 129,968 recoverable for unauthorized removal of 694 cubes of gravel from licensed lands in two Grama Niladhari Divisions of the Padaviya Divisional Secretariat Division had not been recovered.	Unauthorized removal of gravel should be examined and charged the relevant fees.	Not commented.
(c) Although a deposit of Rs. 200 per cube of gravel should be obtained for land restoration deposits in mining gravel. Due to failure in retaining deposits amounting to Rs. 5,575,600 to be retained in 25 instances in 13 Divisional Secretariat Divisions, the restoration of the environment in the relevant locations had not been properly done.	In case the relevant excavator does not carry out the work, the deposit should be used to do the relevant work and necessary action should be taken against the parties who do not act accordingly.	Not commented.
(c) The loan balance due as at 31 December of the year under review under Loan Scheme implemented by the Sri Lanka Women's Bureau in 20 Divisional Secretariats in the District was Rs. 15,816,936. Of these loans, there were loan balances of Rs. 415,588 that had been delayed for a period of 06 months to 01 year and Rs. 5,749,170 delayed for more than one year.	Recovery of loans should be updated to ensure continuous implementation of the revolving loan scheme.	Action will be taken to recover the balance.

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| (e) | Although it is required to grant a warranty period of 10 years for Photovoltaic Inverter Part of Solar System, 25 years for Solar PV Module, 20 years for Wring and Cabling as specified in the bidding documents and agreed by the qualified bidder during the procurement process for the supply and installation of solar systems in religious places, there was no evidence that the aforesaid warranty periods had been granted for 15 solar systems valued at Rs.6,225,000 installed during the year under review. | Relevant warranty certificates should be issued to the beneficiaries   | They are due to be given in future.                         |
| (f) | The revenue lost by the Government due to carrying out gravel mining without obtaining lawful licences and by misusing the licences in the Anuradhapura district in the years 2017 and 2018 amounted to Rs.42.9 million.   | An appropriate internal control system should be developed in collaboration with the Geological Survey and Minines Bureau. | Not replied.  |
| (g) | The total balance of debt due from the two interdicted officers of the District Secretariat and the Divisional Secretariats was Rs. 1,810,546, out of which loan balance of Rs. 928,421 remained outstanding for over 05 years.  | Action should be taken to recover the relevant debt in accordance with the agreement reached with the borrower.            | Necessary steps are in progress to recover the debt balance |

**4. Good Governance**

**4.1 Executing Public Service**

**Audit Observations**

Two plots of land which are to be issued on long term licenses after recovering the assessed value for residential and agricultural activities as per the Government Land Ordinance had been given to two persons in the Mahakalaththewa Grama Niladhari Division No. 279, in Nuwaragampalathe East Divisional Secretariat. It was further observed that these licenses were 02 free licenses issued in terms of Section 19 (2) of the Land Development Ordinance to the persons whose annual income is less than Rs. 144,000.

**Recommendation**

Long-term licenses should be issued after recovering the assessed value.

**Comments of the Accounting Officer**

Matter has been referred to the Land Commissioner General seeking instructions.