

## **Head 263 – Hambanthota District Secretariat**

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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 Hambanthota District Secretariat for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Hambanthota District Secretariat was issued to the Accounting Officer on 18 May 2021 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 18 May 2021 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 Hambanthota District Secretariat as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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

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

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The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the District Secretariat and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

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

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

- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**1.5. Report on Other Legal Requirements**  
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I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

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

**1.6 Comments on Financial Statements**  
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**1.6.1 Statement of Financial Performance**  
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**Non- revenue Receipts**  
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<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
There was a difference of Rs. 14,775,434 due to the value of other receipts was Rs. 547,787,346 as per the Statement of financial performance prepared for the year under review and it was Rs. 533,011,912 according to the treasury computer printouts (SA 21).	In addition to the Expenditure Head 263, line ministry advances and non-deposit motor vehicle income are also accounted as non-revenue receipts.	Only the receipts related to Expenditure Head 263 should be based in order to prepare the Statement of Financial Performance.

**1.6.2 Statement of Financial Position**

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**Property,Plants and Equipments**  
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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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There was a difference of Rs. 210,259,369 due to the value of property, plant and equipments mentioned in the financial statements for 31 December 2021 was Rs. 5,356,237,188 and according to the treasury printout, it was Rs. 5,145,977,819.	The change will be discussed with the treasury and adjustments will be made to the 2021 financial statements.	Need to be resolve the difference

**1.6.2 Cash Flow Statement**

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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Advance payments under cash flow generated from the financial activities of the cash flow statement submitted for the year under review were Rs. 20,633,616 less and deposits of Rs. 20,633,616 more under the cash flow generated from investment activities.	This is a by mistake.	Accounts should be submitted correctly.

**2. Financial Review**

**2.1 Expenditure Management**

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Provision savings ----- It was observed 7 percent to 32 percent were saved in the annual allocation for 05 expenditure subjects.	The savings are due to reduced building maintenance, staff transfers, and lack of good in the market, cancellation of contracts and non-conduct of training programmes.	Adequate provision should be made for the work considering the need.
(b) Utilization of Provisions ----- (i) Allocations ranging from 05 to 08 percent of the estimated allocation had been transferred from other expenditure subjects under Financial Regulation 66 due to adequate provisions had not been made in the annual estimate for 02 Expenditure subjects.	This was due to the extra payment paid for over time and holiday payments due to Corona epidemic, increasing the number of officers for cleaning and security services due to providing new office building and increasing prices in timely.	Expenditure estimates for the next financial year should be prepared as completely and accurately as possible.
(ii) Allocations ranging from 1 percent to 34 percent of the annual allocation for 06 expenditure subjects had been transferred to other expenditure subjects due to provision savings.	This was due to lower cost as the result of Covid epidemic and non-availability of property loans.	Adequate provisions should be made for expenditure subjects considering the needs.

## 2.2 Incurring of Liabilities and Commitments

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Although the liabilities and commitments under Note No. III in the financial statements of the year under review were not mentioned, according to the treasury computer printout (SA-92) there was Rs. 189,008 liabilities and commitments.	This value is only a nominal value and it is no longer an item to be paid.	Should be maintain accurate accounting records.
(b) 04 liabilities amounting to Rs. 211,316 in the liability register had not been included under note (iv) of the statement of liabilities – (i).	04 liability items in the financial statements was not mentioned under note (iv) of the statement of liabilities – (i).	Should be properly accounted.

## 2.3 Utilization of provisions made available by other Ministries and Departments

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Out of the provisions of Rs. 3,809,302,656 provided by various Ministries, Departments and offices for various purposes, a total of Rs. 3,794,864,946 had been utilized and saved the provision of Rs. 14,437,710 at the end of the year under review.	This savings is due to the inability to utilize the funds due to the Covid epidemic.	Action should be taken to utilize all provided provisions efficiently and effectively.
(b) Rs. 3,176,850 had been spent in excess of the allocation limit provided by 07 other Ministries and Departments.	Relevant Ministries have been informed about the deficits of funds.	Should be spent within the limits of the provided provisions.

**2.4 Certification to be done by the Accounting Officer**

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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Although the Accounting Officer should ensure that all audit queries of the Auditor General are answered within the specified periods, the audit queries referred in 3.4 of the report have not been answered.	I accept observations.	Should respond to audit queries within specified time frames.

**2.5 Non-compliance with Laws, Rules and Regulations**

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

<b>Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<b>Reference to Laws, Rules and Regulations</b>		
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Financial Regulation Code of the Democratic Socialist Republic of Sri Lanka.		
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128 (1) (a)		
(a)	In preparing the development planning estimates of the Ambalanthota, Lunugamwehera, Thissamaharama and Tangalle Divisonal secretariats, the Accounting Officers had to fulfill the responsibilities of the	It is advised to act in accordance with Financial Regulations and to be prudent in terms of thrift, efficiency, regularity and honesty.
		Should be complied with Financial Regulation 128 (1)

Chief Accounting officers in terms of thrift, efficiency, regularity and honesty but, they had not fulfilled that responsibility.

- (b) 702 (3) Although copies of the agreements pertaining to the industries were to be submitted to the Auditor General, the Divisional Secretariats of Suriyawewa, Hambanthota and Ambalanthota had not acted accordingly. All officers are instructed to submit copies of the agreements to the Auditor General. Should be complied with Financial Regulation 702 (3) (j).

## 2.6 Giving and settling advances to Public Officers

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) A retired officer of the Katuwana Divisional Secretariat had to recover a loan balance of Rs. 141,260 by 31 December of the year under review.	Only the loan balance of Rs. 141,260 has not been settled.	Action should be taken to recover overdue debts.
(b) Necessary action had not been taken to recover the inactive loan balance of Rs. 443,538 which had exceeded the 04 years due on 31 December of the year under review by two suspended officers.	The relevant files for the loan balance of Rs. 135,472 have been forwarded to the public Service Commission and legal action is being taken to recover the loan balance of Rs. 308,066 and the remain loan balance of Rs. 8,000 will be charged in installments.	Take action to recover the debt balance due to the government without delay.



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| (c) The total loan balance of Rs. 314,515 was due from the officers who had left the service as at 31 December of the year under review. No action has been taken to recover these loan balances from the debtors or if not possible, to recover them from the guarantors as per Section 4.5 of Chapter xxiv of the Establishment Code. | The legal action has been taken to recover the debt balance. | Take action to recover the debt balance due to the government without delay. |
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## 2.7 Deposit Balances

----- <b>Audit Observation</b> -----	----- <b>Comments of the Accounting Officer</b> -----	----- <b>Recommendation</b> -----
Although the total 09 retention deposits of Rs. 794,692 obtained under Deposit Account No. 6000-0-0-16-0-43 had exceeded 02 years as at 31 December 2020, no action had been taken to pay the relevant depositors or to comply with Financial Regulation 571.	Rs. 170,644 has been settled.	Should be complied with Financial Regulation 571.

## 3. Operational Review

### 3.1 Weaknesses in Execution of Projects

The following observations are made.

----- <b>Audit Observation</b> -----	----- <b>Comments of the Accounting Officer</b> -----	----- <b>Recommendation</b> -----
(a) The total estimation was more estimated by Rs. 657,035 as Rs. 191,742 for the Sapirigama Community Based Development	Action will be taken to recover the amount if overpaid and follow the instructions of the District	Estimates should be prepared as completely and accurately as possible in accordance

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| <p>Programme, Rs. 128,310 regarding the Polier estate weekly fair processing industry, Rs. 193,930 regarding the development industry of Lunugamwehera weekly fair and Rs. 143,053 relevant to the construction industry of the weekly fair at Kawanthissa Thuru sewana land because, the approved payment rates were not used in the preparation of estimates for the industry.</p> | <p>Engineer in future. Building prices have been used for the Polier estate weekly fair land preparation industry. I will take action regarding the Lunugamwehera weekly fair development industry after obtaining answers from Pradeshiya Sabha in future. Rs. 143,055 has been reduced in relation to the construction industry of weekly fair in the Kawanthissa Thuru sewana land.</p> | <p>with 50 (II) of the Code of Financial Regulations.</p>   |
| <p>(b) The total estimation estimated Rs. 842,872 had been overpaid due to incorrect payment rates being used in the preparation of estimates for 07 industries carried out by 05 Divisional secretariats.</p>   | <p>I will take action to recover the overpaid amount. Technical officers were instructed to prepare estimates to minimize these variances in future. I will also get advice from the District Engineer and act accordingly.</p>  | <p>Should be act in accordance with 50(II) of the Code of Financial Regulations.</p>  |
| <p>(c) Although the Suriyawewa Divisional secretariat had not cut the soil in item No. 02 of the bill during the preparation of the side wall to the Alioluara agricultural canal, Rs. 66,400 had been paid.</p>   | <p>Technical officers have been instructed to prepare estimates to minimize these variances in future.</p>   | <p>Estimates should be prepared as completely and accurately as possible in accordance with 50 (II) of the Code of Financial regulations.</p> |
| <p>(d) Construction of side walls and paving of the road from Pahe Gedara to Sinhala Gedara in the Thissamaharama Divisional Secretariat area was less than 50 percent of the expected compressive strength of the tested project.</p>   | <p>Since the average value of the readings is more than 30NMM<sup>-2</sup> the payment has been made accordingly.</p>  | <p>Should perform tasks as required to have the desired compressive strength.</p>   |

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| (e) | It was recommended to pay more Rs. 117,874 as 96.2 cubic meters of gravel was used less in the development of the internal roads connecting Therapuththabaygama, Sri Ragalgama and Sialsethgama villages.   | District Engineers will be consulted and action will be taken accordingly.   | Should be made accurate measurements and payments.  |
| (f) | Although a special rate (SSR) had been prepared by the Technical Officer for the preparing fence around the buildings and the playground at Kirindagama primary school, it had not been approved by the engineers and an additional Rs. 84,366 had been paid for it even though the stainless steel paint had not been applied. | The Technical Officers have been instructed to prepare estimates based on the rates (SSR) in the preparation of special rates, According to the instructions of the District Engineer; only the welded area was treated with antiseptic paint and enamel paint twice. Rates have also been reduced and paid bills. | Estimates should be prepared after obtaining approval for special rates and payments should be made only for the work done. |

### 3.2 Annual Performance Report

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>Although the annual performance report was prepared in accordance with Guideline No. 14 of the Department of Public Finance issued in accordance with paragraph 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020 and submitted with the annual financial statements in according to the Section 16(2) of the National Audit Act No. 19 of 2018, the Hambanthota District Secretariat had not submitted the Annual performance Report for the year 2020 to the audit till 23 March 2021 which is the audit date.</p>	<p>The letter dated 11.02.2021 from the Secretary to the State Ministry of Defense, home Affairs and Disaster Management has informed that it should be submitted before 01 May 2021.</p>	<p>Should be act in accordance with Section 16 (2) of the National Audit Act No. 19 of 2018.</p>

### 3.3 Losses and Damages

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) <u>Statements on Losses and Abandonments</u> During the period from 1987 to 2020, a total of Rs. 8,611,826 damages and losses related to 32 incidents had not been recovered or write off from the books by the end of the year under review and it was observed following facts.		
(b) Under Note I of the Statement of Losses and Abandonment, the value of the uncollected loss related to the accident of cab 252-9828 was more than Rs. 70,300.	Due to an omission, the total value of Rs. 91,000 has been entered in the account.	Should be accurately reported.
(c) Although the damage value of Rs. 10,000 in 1987 was cut off from the books on 20 January 2020, the statement of cut off that value from the books was not made under note II.	That will be corrected in future.	-Do-
(d) Files related to damages and losses had been elapsed 02 years to 33 years amounting to Rs. 73,253 in respect of 09 incidents occurred in the period of year 1987 to year 2018 valued at less than Rs. 25,000 had not been completed. Furthermore, files related to damages and losses during the period from 1987 to 2020, amounting to Rs. 8,538,572 in respect of 23 incidents worth over 25,000 had not been completed.	A special committee will be appointed to take necessary action.	Action should be taken to recover or cut off.

### 3.4 Failure to reply Audit Queries

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
An Audit Query submitted to the Hambanthota District Secretariat in 2019 including transactions worth Rs. 3,500,000 had not been answered as at 31 December 2020.	Answers were given for these paragraphs from the Auditor General's report for the year 2019 and will be provide detailed answers in future.	Audit Queries should be answered within the specified period.

### 3.5 Management Inefficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Reimbursement of Rs. 2,578,309 from 2013 for the payment of water bills in the officers' housing scheme next to the new administrative complex at Siribopura had not been recovered.	Officers residing in the relevant quarters have been informed in writing to pay the water charges and accordingly the water charges will be collected and reported to the audit in future.	Should be reimbursed as required.
(b) According to the computerized pension payment database for the month of October 2020, pensions were paid to 7 retired officers of the Ambalanthota Divisional secretariat and one officer of the Lunugamwehera Divisional Secretariat without National Identity Cards.	Identity cards were lost and that it was not possible to make a new identity card due to the difficulty of taking photographs as felt in ill.	Should be act in accordance with the pension circulars.
(c) Military service and disability pensions are to be paid in combination according to the Pension Circular No. 09/2008	The overpayment will be recovered from February 2021.	-Do-

dated 03 October 2008, Pension Circular No. 9/2008 dated 30 March 2010 (Amendment), Paragraph 3(i) of the Pension Circular No. 9/2008 (Amendment ii) dated 18 July 2018 and pension advisory letter No. 06/2019 dated 09 May 2019. The amount payable for disability after conversion in accordance with paragraph 3 ii of Pension Circular No. 9/2008 (Amendment ii) is Rs. 4,404.97 but, payments were made to 06 retirees of Ambalanthota Divisional secretariat and 09 retirees of the Lunugamwehera Divisional secretariat without paying attention to the above two points.

- (d) Although the special allowance according to the budget proposals should be given only to the combined pension payment when several pension are received in accordance with paragraph 03 of the Pension Circular No. 04/2011 dated 16 May 2011 and paragraph 03 of the Pension Circular No. 13/2014 dated 03 November 2014, 02 Divisional Secretariats had not complied with the circulars and had to pay an additional Rs. 782,000.
- (e) Decision No 16 of Committee on public Accounts dated 25 October 2012 states that “22 official quarters for public officers constructed on the land belonging to the District Secretary should not be handed
- The payment of this allowance will be stopped and action will be taken to recover the overpaid amount from February 2021.
- The Urban Development Authority has been notified on several occasions and no positive response has been received in this regard.
- Should be act in accordance with the decision 16 of the Committee on Public Accounts dated 25 October 2012.

-Do-

over to the District Secretary by the Urban development Authority until 12 October 2012 should be aquired. After the acquisition, it was ordered to report to the Committee on Public Accounts within two months from the date of the above order”, but there was no evidence that the order had been executed. It has been observed that action is being taken to take over the land with the above houses from the Mahaweli Development Authority to the Urban Development Authority.

(f) Unauthorized acquisition of Government Lands  
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Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>02 ruds had been reserved for a cemetery and 01 rud for the Bo tree from the government owned land located on Gammanwela road in Siyarapitiya Grama Niladhari Division by the letter dated 29 November 2010 from the Angunakolapelessa Divisional Survey Superintendent. Although the Grama Niladhari and the residents of the area have reported to the Divisional Secretary on several occasions that the adjoining temple contributory council is carrying out unauthorized constructions on the land reserved for this cemetery, no action had been taken under the Land act</p>	<p>The Chief Incumbent of the temple is continuing the construction work and steps are being taken to get legal action.</p>	<p>Necessary action should be taken under the Land Act.</p>

regarding unauthorized constructions in this cemetery by the audited date of 19 February 2021

(g) Circular Loan Programme

----- <b>Audit Observation</b> -----	----- <b>Comments of the Accounting Officer</b> -----	----- <b>Recommendation</b> -----
<p>The Ministry of Children and Women's affairs provided Rs. 200,000 to the members of the women's societies registered with the Katuwana Divisional Secretariat on an initial provision of Rs. 5,000, Rs. 10,000 and Rs. 15,000 each for self-employment loans and it had also agreed to recover the loan installments at 10 months with an interest rate of 6 percent. Under this, the loan amount of Rs. 195,000 obtained by 39 borrowers had not been repaid within 10 months and there was a balance of Rs. 109,190 in arrears as at the audited date of 19 February 2021. Further, although 6 percent interest was to be charged as per the agreement, the interest was charged without such a definite basis and no cumulative interest was charged for the months in which the premiums were not paid.</p>	<p>Borrowers have been informed to repay the outstanding loans. No advice has been received regarding the recovery of past interest and this is an agreement reached by the Authority. Relevant officials have been instructed to obtain the agreement through the Regional Authority.</p>	<p>Action should be taken to recover the relevant loans and interest on time.</p>
<p>(h) The Medamulana Samurdhi Bank Association in the Weeraketiya Divisional Secretariat has provided a sum of Rs. 115,000 to 23 non-</p>	<p>As loans can be provided under the Samurdhi Arunalu loan scheme for non-samurdhi base community members, loans</p>	<p>Loan installments should be charged as scheduled.</p>



samurdhi beneficiaries under Covid-19 epidemic season “Sahana Arunalu” loan programme and it had not been recovered. have been provided to 23 beneficiaries and necessary steps have been taken to recover them.

### 3.6 Other Observations

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although copies of agreements pertaining to industries were required to be submitted to the Auditor General in terms of Financial Regulation 702(3), the Sooriyawewa, Hambanthota and Ambalanthota Divisional Secretariats had not acted accordingly.</p>	<p>All officers are instructed to submit copies of the agreements to the Auditor General.</p>	<p>Should be act in according to the Financial Regulation 702 (3).</p>

### 4. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>By the end of the year under review, 136 vacancies in the staff of the District Secretariat and the Divisional Secretariats had not been filled and approval had not been obtained for the excess staff of 33.</p>	<p>Vacancies and surpluses have been reported to the Ministry and vacancies will be filled and excesses will be dealt by the Ministry.</p>	<p>Action should be taken to recruit vacant staff for essential posts and to obtain approval for excess staff.</p>