

## **Head 273 –District Secretariat, Puttalam**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the District Secretariat, Puttalam for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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. In terms of Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the District Secretariat, Puttalam was issued to the Accounting Officer on 31 May 2022. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the District Secretariat was issued on 04 July 2022 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, which should be read in conjunction with provisions of Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements of the District Secretariat, Puttalam give a true and fair view of the financial position of the District Secretariat, Puttalam as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility 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 on 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines 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 annual and periodic financial statements to be prepared of the District Secretariat.

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 system and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibility 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 judgement and maintain professional skepticism 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 Requirements

As required by Section 6 (1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the following:

- (a) The financial statements of the year under review are consistent with the preceding year.
- (b) Recommendation made by me in relation to the financial statements related to the preceding year had been implemented.

## 1.6 Comments on Financial Statements

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

Instances of non-compliance with the provisions of Laws, Rules and Regulations observed during the audit test checks are analyzed and stated below.

Reference to Laws, Rules and Regulations	Observation		Comments of the Accounting Officer	Recommendation
	Value	Non- compliance		
	Rs.			
FR 109 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	3,064,063	Even though 01 to 30 years had passed during the period of 1989 to 2021 since the losses had occurred, necessary steps had not been taken to recover the value of the unwritten off losses for 19 vehicles belonging to the District Secretariat from the relevant responsible officials or to write off from the books.	It has not been possible to complete the work due to the difficulty in obtaining the relevant data related to the losses that occurred many years ago. It is kindly notified that I am trying to take action in relation to that matter.	Action should be taken in terms of FR 109 in relation to losses occurred to government property.

## 2. Operational Review

### 2.1 Not obtaining the Expected Level of Output

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The progress of 46 projects amounting to Rs.69,629,383, planned in the year 2021 in Puttalam and Mundalama Divisional Secretariats had been in the range of 20-25 percent, and they had been stopped midway as there had been no allocations.</p>	<p>Agreed.</p>	<p>The necessary allocations should be obtained and the projects should be implemented as planned.</p>

### 2.2 Not obtaining the Expected Outcome

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Even though Rs.48,638,504 had been spent in the year 2014 to prepare the roof of the pavilion of Joseph Vaz College, Wennappuwa, it was observed that the pavilion had remained as an incomplete project without getting a benefit even by the year 2022.</p>	<p>The feasibility study related to this project, for which allocation had been made under Line Ministries, should be carried out by the Ministry of Education and the District Secretary of Puttalam had only supervised the construction work in accordance with the estimate obtained.</p>	<p>Necessary action should be taken to use the construction.</p>
<p>(b) The Waikkal Ekamuthu Volleyball Stadium, which had been built by the Divisional Secretariat, Wennappuwa after reclaiming a marshy land at a cost of Rs. 1,467,477 in the year 2021, had cracked in certain places, and remained idle even by 07 February 2022, the date of the audit.</p>	<p>The supervision of the construction work had been carried out by the Wennappuwa Pradeshiya Sabha and the Pradeshiya Sabha has been informed to complete the deficiencies in the project.</p>	<p>The deficiencies in the project should be promptly completed and the necessary action should be taken to bring the project to a usable condition.</p>

### 2.3 Projects Abandoned

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Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Although the Divisional Secretariat, Mundalama had entered in to contracts with community based organizations to improve two roads with an approved provision of Rs.990,000, it had not been able to execute the contracts as the Compaction Test reports to be given to ABC had not been provided and time had not been sufficient.	Agreed.	Action should be taken to implement the projects related to the allocation made.

### 2.4 Procurement

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The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The District Secretariat had not prepared a Master Procurement Plan and a Procurement Time Schedule.	The procurement plan had been prepared for the Expenditure Head of the District Secretariat. However, Procurement Time Schedule had not been prepared for each programme and instructions have been given to the relevant Divisions to prepare Procurement Time Schedule for each programme in the future.	A Master Procurement Plan and a Procurement Time Schedule should be prepared in accordance with 4.2.1 and 4.2.2 of the Procurement Guidelines.

- (b) Although the District Secretariat, Puttalam had made 08 procurements totaling Rs.54,689,300 on 08 occasions for the purchase of equipment needed to distribute organic fertilizer products to farmers, equipment had not been purchased. As a result, labour and resources spent on procurement activities had become idle expenses.
- Even though procurement activities have been carried out to provide equipment to the organic fertilizer producers as it was very essential to do, the suppliers said that all the related equipment should be imported. It was further mentioned that it could be March or April 2022. The relevant purchases were not made owing to the current situation in the country.
- In carrying out procurement activities, procurement should be carried out only if the relevant works can be planned and purchased correctly.

## 2.5 Management of Expenditure

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The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Five (05) quarters owned by the District Secretariat, Puttalam had not been provided to the officers in need of official quarters, and action had not been taken to repair and use 06 unusable official quarters. Furthermore, 09 quarters had been assigned to other institutions.	Although action had been taken to provide 05 quarters currently owned by the District Secretariat, Puttalam and appropriate for the use of the officers in the waiting list, they were reluctant to take over the quarters owing to old condition and defects of the quarters. The 06 existing official quarters, mentioned by you are in very old and dilapidated condition and a high cost should be incurred to repair them. Hence, it was not possible to repair it by using provision allocated to us.	Necessary action should be taken to get the maximum use of the quarters and should be used.
(b) The Puttalam Urban Council had provided the land in extent of more than one acre, where there had been an official quarters, belonging to the District Secretariat to develop the land as a parking lot for the purpose of	Action has been taken to value the land. Furthermore, land for the official quarters provided to the Puttalam Urban Council for the development of the city and the land to be provided to us	Action should be taken to acquire the land without delay and action should be taken as planned.

parking the vehicles of the Alpha building. Action had not been taken to obtain a land equal to the value of that land as per the Agreement.

by the Urban Council have been referred to the Department of Valuation for value it. Moreover, arrangements have been made to prepare estimates for the relevant official quarters scheduled to be built on the relevant land.

- (c) The bowser belonging to the District Secretariat had been left in a way that it had exposed to the environment without being used for many years. As a result, it had decayed and in a condemned status.
- Comments had not been made.
- Assets should be safely parked and unusable assets should be properly disposed of.

## 2.6 Giving Security by Public Officers

----- <b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
Although the officers required to give security should furnish security within 03 months in terms of FR 880 and FR 885 and in terms of Sections 03 and 05 of the District Governance Circular No. 07/2019 dated 23 March 2019 of the Secretary of the Ministry of Internal and Home Affairs and Local Government, 07 officers, including Divisional Secretary of Madampe had not functioned that way.	Instructions have been given to the relevant officers to furnish security as per the relevant Circular, and I inform you that action will be taken to make all the officers, who should furnish security, furnishing security this year.	Action should be taken in accordance with laws, rules and circular instructions.

## 2.7 Management Weaknesses

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The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The payment of the 14 <sup>th</sup> bill of the Head Office building of the District Secretariat, which had been under construction had been rejected. Since the 14 <sup>th</sup> bill had to be paid after resorting to an arbitration process, a sum of Rs.10,349,580 had to be paid as the late interest.	The 14 <sup>th</sup> bill had not been paid to the contractor due to the ruptures and scratches in the building. However, that institution sought the assistance of the Arbitration Board in relation to the payment of this 14 <sup>th</sup> bill and the Board had decided that the institution should pay the amount to us and therefore, the institution sought the assistance of the arbitration process. This payment had been made as per the decision of the Arbitration Board.	Although the payment of the 14 <sup>th</sup> bill had to be made according to the Terms of the Agreement, an interest amount had to be paid due to not taking action accordingly. Therefore, an inquiry should be carried out in that relation and the responsible officers should be identified and action should be taken accordingly.
(b) When it had been indicated as per the arbitration report dated 25 September 2018 that the District Secretariat had the ability to retain payment records without paying the late interest from the date of cancellation of the contracts according to 15.4(9) of the contract agreement, and when the contractor had informed that the contracts would be cancelled on 19 March 2013, the payment made as the late interest was problematic to the audit.		
(c) Although 1 to 5 years had passed after the completion of 13 projects, the retention money totalling to Rs.9,949,016 had not been released.	Arrangements are being made to release the amount at present and the delay in receiving the imprest is the reason for not releasing the amount.	The amount should be released by taking action in compliance with the Agreement.
(d) Although information on 22 illegal shrimp farms maintained in Grama Niladhari Divisions of Battuluoya, Sengal Oya and Suruvila in Arachchikattuwa Divisional Secretary's Division and 04 farms that had been currently inoperative had been referred to the Department of Wildlife Conservation in 2019 and 2020, action had not been taken to discontinue those illegal shrimp farms	At present, action is being taken in relation to this.	Efficient action should be taken.



even by 14 January 2022, the date of the audit. Furthermore, action had not been taken even to collect a tax from these shrimp farms.

- (e) There had been a balance of Rs. 9,901,991, out of the amounts provided by 12 societies belonging to 12 Grama Niladhari Divisions of the Puttalam Divisional Secretary's Division under the first and second phases of Grama Shakthi and all the Grama Shakthi Societies had been inoperative by the date of audit. I would like to inform that Grama Shakthi societies will be implemented after instructions are issued to implement the societies. Necessary steps should be taken to fulfill the desired objectives of the project.
- (f) Although Sapirigamak development projects implemented by the Mahawewa Divisional Secretariat through Nattandiya Pradeshiya Sabha, must be specific and the beginning and end of the road should be specified according to Section 11 of the Development Circular No. 01/2019 dated 06 December 2019 of the Ministry of Finance, Economic and Policy Development, action had not been taken to indicate such information in relation to 16 projects that had been completed. The Divisional Secretary was informed to proceed as indicated. Action should be taken in accordance with the Circular.
- (g) Although it had been indicated according to the letter of the Director General of the Department of Irrigation dated 26 August 2021 that the construction of the lift irrigation project related to the Pallama Ibbanwalayaya Molaeliya Mankada and the Tammana Tunsarangama lift irrigation project had not been productive activities, incurring a sum of Rs. 19,501,434 for these two projects was problematic at the audit. Moreover, Rs. 6,702,299 had been incurred exceeding the estimated amount. At the time of initiation of these projects, officials including the Director of Irrigation Department of Puttalam had conducted a field inspection and accordingly, the approval of the Department of Irrigation was granted by letters dated 26.08.2021 and 01.10.2021 for the implementation of these lifting projects. The approval had been granted to obtain water in the volume of 656 m<sup>3</sup> per day for the Ibbanwalayaya project and 60 m<sup>3</sup> per day for the Tammana project. Moreover, there has been no shortage of water so far in the A feasibility study should be carried out for the projects and the projects should be started. Expenses should not be incurred exceeding the estimated amount.

months of August and September to the place, where the Tammana Lift Irrigation Project is being implemented due to the dam built in Vilattawa Mankada, and to the place where the Ibbanwalayaya Lift Irrigation Project is being implemented due to the Sengal Oya Dam.

## 2.8 Transactions of Contentious Nature

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Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Even though the horizontal and vertical distance and the magnetic impact that can be occurred physically should be taken into consideration in case high power lines located nearby in the construction of a building, it was observed that the building of the Divisional Secretariat, Mundalama was being constructed without considering that issue. At the time of the construction of the 03rd phase of the building, it had been requested from the Electricity Board to remove these electric cables, which are closer to the wall by a distance of 2.5 feet, and the Electricity Board had informed that Rs.4,023,389 should be paid for it.	The District Electrical Engineer had conducted a site inspection and declared that there had been no risks from the power lines. He has informed that written clearances will be provided.	The relevant recommendations should be obtained at the time of conducting the feasibility study, and further action should be taken after considering whether the recommendations given are in accordance with the recognized standards.

## 2.9 Identified Losses

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The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Although the spot price of the Provincial Price Committee, which had been Rs. 3,000 per gravel cube (including loading and royalt) had been used for the development work items of the Divisional Secretariat according to the guidance of the Engineering Department of the	I would like to inform that action will be taken to check and recover the overpayments.	Project estimates should be prepared using actual price rates and overpayments should be recovered from the responsible officers.

District Secretariat, it had been indicated that the spot price including loading of a cube of gravel and royalty had been Rs.2,000 as per the report of the District Price Committee of the District Secretary, Puttalam bearing No. DSP/TFC/CS /01/P.C./(1)/2021 dated 01 January 2021. Accordingly, a loss of Rs.2,641,300 had been incurred at the rate of Rs. 1,000 per cube in the use of 7482.8 cubic metres of gravel or 2641.3 cubic metres for 89 projects by 13 Divisional Secretariats in the year 2021.

- (b) Even though the Government had purchased paddy from small and medium scale rice mill owners and had paid the amounts for those quantities of paddy, 402,927.7kg of Nadu rice or 61.12 percent of the amount of rice to be delivered in December by 11 rice mill owners for the Maha Season in 2020/2021 and 1,006,687.5kg of Nadu rice or the total amount of rice to be given by all the 19 rice mill owners, who should provide rice for the paddy purchased by them after paying money to the Government for the Yala season 2021 had not been delivered even by 24 May 2022, the District Secretariat had not taken any action in that regard.
- Necessary arrangements are being made to obtain rice or to resort to legal action.
- Necessary action should be taken efficiently.
- (c) A sum of Rs. 1,464,500 had to be paid as consultancy and membership fees for the arbitration proceedings as assistance of the arbitration proceedings had been obtained after the cancellation of the contract of constructing the new building of the District Secretariat.
- The matter was referred to the arbitration Board as per the Agreement since the 14<sup>th</sup> bill had not been paid. As the contracting party disagreed with the decision of the Board, they had resorted to arbitration proceedings. Accordingly, the relevant charges have been paid.
- Since the expenses related to the arbitration had been incurred as a result of not paying the 14<sup>th</sup> bill, action should be taken to recover the said money.

### 3. Achievement of Sustainable Development Goals

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) The District Secretariat had not identified sustainable development goals related to its scope and target-based data in relation to the goals and indicators to measure the progress and parties interested in relation to the role of the institution for the implementation of the sustainable development goals.	The sustainable development goals identified by the District Secretariat had been provided to the field officers and the supervision is being carried out regarding the achievement of the goals.	Action should be taken in compliance with the sustainable development goals and targets.
(b) Although it has been observed that government institutions should be encouraged to reduce the use of plastic in the circumstances that a national policy for local solid waste management is in place, a total of Rs.10,973,577 had been incurred by all the 16 divisional secretariats belonging to the district secretariat for purchasing plastic-related materials comprised of Rs.10,621,677 for the purchase of 9218 plastic chairs and an amount of Rs.56,400 for the purchase of 10 plastic tables for the provision of the items to voluntary organizations under the decentralized programme. The audit observed that there was a risk of accumulating those plastic stocks in the environment in the ensuing years due to those purchases that had been implemented throughout the Puttalam district.	The district political authority has been informed of the need to reduce the use of plastic and with the aim of benefiting more people and considering the needs of the community, plastic chairs are being provided. I would like to point out that there are no alternatives for plastic water tanks.	Action should be taken in compliance with the sustainable development goals and targets.

**4. Human Resource Management**  
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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>It was observed that there had been 26 employee vacancies related to 12 positions within the approved cadre of the District Secretariat, Puttalam and 326 employee vacancies related to 18 positions within the approved cadre of the Divisional Secretariats.</p>	<p>I agree.</p>	<p>Necessary arrangements should be made to recruit for the existing vacancies.</p>