

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the **District Secretariat, Puttlam** for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 including my comments and observations on the financial statements of the District Secretariat, Puttlam was issued to the Chief Accounting Officer on 29 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the District Secretariat, Puttlam in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 29 May 2019. 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 give a true and fair view of the financial position of the District Secretariat, Puttlam as at 31 December 2018, 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

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 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that 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.

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Chief Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5. Report on Other Legal and Regulatory Requirements

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

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the District Secretariat, Puttalam to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of the Financial Statements with Provisions of the Circulars

The financial statements should have been prepared in terms of Public Accounts Circular, No. 267/2018, dated 21 November 2018. However, an instance of deviation is given below.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>In terms of Paragraph 8.2 of the Circular, No. 267/2018 of the Director General of State Accounts, dated 21 November 2018, non-financial assets, if any, should be identified properly, and if the cost can not be identified, the assessed value should be brought to accounts. However, 06 vehicles, and 42 tractors and lorry bowsers had not been brought to accounts.</p>	<p>Action should be taken in accordance with Paragraph 8.2 of the Circular, No. 267/2018, dated 21 November.</p>	<p>Those vehicles included 33 vehicles provided by the Disaster Management Center and the National Disaster Relief Services Centre, and the ownerships thereof have not yet been vested in the District Secretary. Hence, the relevant details have not been brought to accounts. After verifying the ownership of vehicles given by the Ministry of Home Affairs, action will be taken for those vehicles to be brought into accounts.</p>

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
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(a) Even though 07 vehicles valued at Rs. 7,095,291 had been sold at an auction, no action had been taken to eliminate the cost of those vehicles from the books.	Action should be taken to eliminate the relevant values from the books.	The said values could not be eliminated from the books by mistake.
(b) The value of office buildings amounting to Rs. 260,746,714 of which the constructions had been completed in the year under review, was not brought into accounts under fixed assets.	Action should be taken in terms of Section 8.2 of the Circular, No. 267/2018, dated 21 November.	It is informed that the value of buildings have been brought to accounts. The expenses relating to those buildings have been incurred by the District Secretariat. The relevant value was informed to the Divisional Secretariat through the letter, My No DSP/ACC/11/01/04, dated 09 January 2019. It is informed that the value has been brought to accounts through the comprehensive account summary relating to the year 2018.
(c) According to the statement of non-financial assets (ACA - 6), non-reconciliations were revealed between the value of fixed assets, and the values printed by the Treasury as at 31 December	The difference between the statement of non-financial assets, and the printed values should be identified, thereby making the necessary adjustments required for rectification.	This difference has been resulted in due to inaccuracy of data entered by 04 Divisional Secretaries (to the centralized accounting system of the Treasury). It is informed that journal entries had been sent through the Letter, No. DSP/ACC/8/Asset, dated 05 March 2019 for rectifying this difference.

2018.

2. Financial Review

2.1 Recurrent Expenditure

The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
Due to failure in preparing the estimates properly, a sum of Rs. 15 million out of the provision made for 12 items of recurrent expenses, had been transferred to other items of expenditure in terms of Financial Regulations 66 and 69.	Estimates should be prepared by properly and adequately evaluating the requirements.	As expenses had not been incurred from the items of expenditure in which there had been savings, the savings had been transferred in that manner.

2.2 Reconciliation Statement on the Advances to Public Officers Account

The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
Action had not been taken to recover a loan balance of Rs. 447,152 remained recoverable from 07 employees over a period of 03 years.	Action should be taken to promptly recover the loan balances.	Action is being taken to write off the loan balance.

2.3 Lack of Evidence for Audit

The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
Due to non-availability of files at the District Secretariat relating to 19 vehicle accidents, losses and damages totaling Rs. 1,318,233 could not be satisfactorily vouched.	A formal inquiry should be conducted and action should be taken on the officers responsible.	A Committee has been appointed to look into the said files. Information will be furnished to the Audit after the report of the Committee.

3. Operating Review

3.1 Procurements

The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) When the office buildings of the Divisional Secretariats of Nawagattegama and Karuwalagaswewa had been constructed by the District Secretariat, Puttlam, a total cost estimate had not been prepared; instead, the project had been implemented under several stages. Tiling and painting of the ground floor of the buildings had been done under the first stage, but the tiles and paint had become faded by the final	A total cost estimate should be prepared for the construction project.	Projects will be commenced in the future once a total cost estimate is prepared.

stage.

- (b) Penalties for delays in construction amounting to Rs. 60,000 had not been charged in accordance with the agreement entered into with the contractor of the Divisional Secretariat, Karuwalagaswewa. The agreement should be adhered to. An extension of 34 days had been granted through the Letter, dated 07 November 2018 following the recommendation of Technical Officer.
- (c) As for calling for quotations for the first stage of constructing the building of the Divisional Secretariat, Karuwalagaswewa with an estimated cost of Rs. 21,574,425, a minimum bidding period of 21 days should have been provided in terms of Guideline 6.2.2 of the Procurement Guidelines. However, only a period of 12 days had been provided. Guideline 6.2.2 of the Procurement Guidelines, should be adhered to. Considering the Procurement process and the time left in the year for the relevant construction, the Board of Procurement had decided to provide the said number of days to submit bids.
- (d) Following a decision taken by the Procurement Committee on 24 July 2018, a contractor had been assigned with the constructions of the Lagoon Park, Puttlam, (facing the temple) at an agreed value of Rs. 5,926,558 implemented by the District Secretariat. However, the said construction was carried out as a separate stage from the part already completed. As such, the relevance and productivity of this project was controversial in audit. Projects should be planned in a manner that the public funds are utilized productively. As legal action was being taken to evict the encroachers of the beach pertaining to the Lagoon Park, the entire area of the beach could not be used in development activities.
- (e) The contract executed by the District Secretariats, for carpeting the road from the Police Station of Udappuwa to Sinnakolaniya, had been Projects should be planned so as to productively utilize the public funds. When this road was being carpeted, the residents of the area and the political authority requested to carpet the road by including the concreted stretch

awarded to a contractor at an agreed value of Rs. 14,075,523. However, when developing the said road, estimates had been prepared by including a stretch of road in length of 92.5 meters that had been concreted by the Divisional Secretariat, Mundalama in the year 2015 at an expenditure of Rs. 976,747. As such, the expenditure incurred by the Government in the preceding year, had become fruitless.

that remained dilapidated.

- (f) According to the Procurement Decision, No. 12, the Divisional Secretary and the Accountant of the Divisional Secretariat, Puttlam, had acted in the capacities of Chairman and member of the Committee respectively. However, the Procurement decisions had also been taken on the same dates that the said officers had been involved in field duties. Hence, sums of Rs. 7,000 and Rs. 70,000 totalling Rs. 77,000 had been paid for performing field duties and taking Procurement decisions simultaneously.
- It is inappropriate to pay allowances on 02 duties performed at the same time.
- All the Procurement decisions signed thus had been taken by the 03 members of the Procurement Committee after having discussions. As the Divisional Secretary and the Accountant had to perform urgent duties that should have been given priority on the said dates, the Procurement Committee had met after the office hours at the official residence of the Divisional Secretary situated at the premises of the office. Based on the way the duties should be performed, there can be instances in which it becomes impossible for the Procurement Committee to meet during the office hours. In such an instance, the said Procurement decisions had been taken based on the requirement of carrying out procurements without delays.

3.2 Assets Management

The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
It was revealed through the preliminary report of the board of inquiry that a loss of Rs. 180,500 had been incurred due to a Cab meeting with an accident on 12 February 2016 due to reckless driving of the driver. Nevertheless, that loss had not been recovered.	The parties responsible, should draw their attention on the safety of assets	The Divisional Secretariat, Mahawela, has been informed to recover the loss from the driver. An appeal has been furnished by the driver as well.

3.3 Losses and Damages

The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) As soon as a loss or damage occurs, inquiries should be instituted to ascertain the extent and causes of the loss, and to fix responsibility in terms of Financial Regulation 104 (i). However, no inquiries had been instituted in regard to 07 accidents involving vehicles of the District Secretariat in the year 2018.	Action should be taken to conduct a preliminary investigation in terms of Financial Regulation 104 (i)	After being pointed out by the Audit, a Board of Inquiry has been appointed and action has been taken in terms of Financial Regulation 104 (i)
(b) It was revealed in the reports of the Board of	Action should be taken to recover the	Recommendations required to recover the loss relating to one vehicle have

Inquiry that the losses from the been sent to the Ministry. The relevant relevant drivers drivers responsible. Divisional Secretariat has been should be held responsible for the informed to recover the loss of the damages caused to 02 other vehicle from the driver. vehicles amounting to Rs. 564,620 in the years 2014 and 2015. Nevertheless, the District Secretariat had failed to recover those losses even up to 31 December 2018.

3.4 Management Inefficiencies

The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
Ten out of the 71 official residences pertaining to the District Secretary had remained unsuitable for use. However, due to failure to take action properly in that connection, those official residences remained idle and dilapidated.	Proper action should be taken on the security of the official residences.	As soon as provision is received, action will be taken to demolish those official residences.

4. Good Governance

4.1 Rendering Public Services

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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The Department of Social Services had paid a sum of Rs. 2,844,000 as allowances in the year 2018 to 79 disabled persons in the area of Divisional Secretariat, Puttlam. However, 66 more disabled persons have been in the waiting list after requesting for the allowance.	Measures should be taken to promptly fulfill the requirements of the general public.	There are 66 persons in the waiting list, but payments could not be made to them due to lack of provision. In case new provision is granted after being approved by the National Secretariat for Persons with Disabilities, it is informed that payments can be made to the disabled in the waiting list.

5. Human Resource Management

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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Fifteen vacancies in the senior level, 29 vacancies in the tertiary level, 308 vacancies in the secondary level, and 25 vacancies in the primary level, had existed in the District Secretariat and the 16 Divisional Secretariats as at 31 December 2018. It was observed that the 15 vacancies in the senior level comprised one each for the Additional District Secretary (Land) and Assistant Director (Planning), 02 posts of Divisional Secretary, 02 posts of Assistant Divisional Secretary, 02 posts of	Vacancies in the essential posts should be filled thereby executing the services to the public continuously and efficiently.	It is informed through the cadre reports that the vacancies do exist.

Assistant Director (Planning), and 07 posts of Accountant. Furthermore, of the 34 posts of Technical Officer approved for the District Secretariat and the Divisional Secretariats, there existed 21 vacancies, whilst 10 of the 18 posts of Technical Assistant remained vacant. Vacancies in the senior posts such as Divisional Secretary, were observed to have an unfavorable impact on the productive and continuous execution of public services. A risk was observed in the quality and productivity of the development activities including construction projects due to the vacancies in the posts of Technical Officer, and Technical Assistant.