

Head 257 – District Secretariat Kalutara

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat Kalutara 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 containing my comments and observations on the financial statements of the District Secretariat Kalutara was issued to the Accounting Officer on 28 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 . The Annual Detailed Management Audit Report of the District Secretariat was issued to the Accounting Officer on 28 May 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 District Secretariat Kalutara as at 31 December 2018 and its financial performance and cash flow 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 qualified opinion.

1.3 Responsibilities of Chief Accounting Officer and the Accounting Officer on Financial Statements

The Accounting Officer is responsible for preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

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.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the District Secretariat in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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 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.
- It is not intended to express an opinion on the effectiveness of internal control of the District Secretariat to plan appropriate audit procedures in a timely manner.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) As there was no need to prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the District Secretariat Kalutara to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been presented.

1.6 Comments on Financial Statements

1.6.1 Financial Statements not complied with Circulars

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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Due to not maintaining the relevant asset registers to examine the individual asset values along with the main ledger related to those assets when reporting the non-financial assets of the District Secretariat, it was impossible to verify the accuracy of the asset balances stated in the financial statements as at 01 January 2018 .	When reporting non-financial assets, checking of individual balance with the main ledger balance relating to those assets and it should be verified whether those balances are matched as per the Section 3.3 of the Circular No. 267/2018 dated 28 November 2018 and if there are any incompatible balances, the main ledger balance should be revised by that amount by the journal entries until that balance is identified.	Comments had not been given.

1.6.2 Deposits

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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Actions had not been taken in respect of the deposits amounted to Rs. 26,762,340 for more than 02 years and the deposits amounted to Rs. 5,635,723 for more than 10 years in accordance with the Financial Regulations.	Actions should be taken to settle in terms of Financial Regulations.	Actions are being taken to settle.

1.6.3 Not maintain Registers and Books

The below mentioned certain documents had not been maintained by the District Secretariat and it was observed during the audit test checks carried out that certain documents were not maintained properly and in an updated manner.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) Register of Fixed Assets -----		
The Register of Fixed Assets had not been updated as per the Treasury Circular No. 842 of 19 December 1978 and in terms of Financial Regulation 502 (2) and its Appendix 11 .	A Register of Fixed Assets should be maintained in accordance with Treasury Circular No. 842 of 19 December 1978 and Financial Regulation 502(2) and its Appendix 11 .	Since the Fixed Asset module is prepared in the CIGAS programme, there is no need to maintain the Register of Fixed Assets anymore.
(b) Register of Electrical Equipment -----		

A Register of Electrical Equipment had not been maintained in terms of Financial Regulations 454 (2) .

An Inventory Book should be maintained in accordance with the Financial Regulation 454 (2) in order to all electrical accessories and equipment in government buildings.

Since the Fixed Asset module is prepared in the CIGAS programme, there is no need to maintain the Register of Fixed Assets anymore.

2. Financial Review

2.1 Imprest Management

The following observation is made.

Audit Observation

Recommendation

Comments given by the Accounting Officer

Because of the requests made for the imprest amounting to Rs. 987.03 million exceeding the value of bills in hand at the end of the year under review, the estimation and allocation management were not at a satisfactory level.

Preparation of estimates as accurate as possible and the provision management should be planned in accordance with the provisions of the Financial Regulation 50 .

It had to apply for the imprests for Head 257 and other Ministries and 47 Departmental Expenditure Objects. However, actions will be taken to minimize this situation as much as possible in future years.

2.2 Utilization of the Provisions of Other Ministries and Departments

Out of the 1,191 families that have been identified for evacuation due to floods, landslides and high risk of landslides occurred in 12 Divisional Secretariat Divisions in the year 2017, the following observations are made on the expenditure of Rs.624.39 million made in resettling of 699 families in the years 2017 and 2018 .

Audit Observation	Recommendation	Comments given by the Accounting Officer
(a) Commencement of resettling activities regarding only on 699 families had been identified for resettlement out of the 1,191 families.	Taking action to resettle the remaining 492 families as soon as possible.	The number of families identified for resettlement as at 30 June 2018 were 1,444 and out of these, 1,159 families have given the consent. Actions were not taken to resettle 462 families out of these up to now.
(b) Instead of construction of 136 houses which were fully damaged by floods and totally damaged by land slides firstly, it has been planned to build all the houses simultaneously including the houses in the landslide risk areas.	Findings of the possibility of building of houses which were totally damaged by floods and landslides.	Explanations has not been presented.
(c) The 26 families who had benefited a sum of Rs. 5.2 million as the first installment of Rs. 200,000 for each during the years 2017 and 2018 had not commenced construction works until now whilst construction of houses from government allocations on state lands and lands belonging to beneficiaries.	A specified time period shall be granted for commencement of work whilst providing advances and that they should be monitored frequently.	Although the beneficiaries were asked to start construction, it has been informed that the illness and there is no one to deal with. However, the construction work has been commenced by a few.
(d) Out of the money provided for the construction by government financial assistance amounting Rs. 121.2 million; in a state land, beneficiary land and a land purchased from the Government financial assistance of the construction works of 167 houses commenced	Construction works of houses should be supervised properly.	Beneficiaries have been called and given written instructions. It is informed that this has been caused by the delays and weaknesses of the beneficiary.

incurring a sum of Rs. 33.4 million has been only limited to the foundation by now.

(e) For the prevention of the resettlement in existing homes at high risk areas; not taking over those houses and lands to the Government and not paying compensation for the assessed value in respect of houses and lands with more than 20 perches out of lands taken over.

Land acquisition and payment of compensation should be made according to the Decision of Cabinet of Ministers dated 05 July 2017.

Since the land acquisition procedures are not prepared, the Ministry of Disaster Management has been informed of this.

(f) Actions have not been taken to select the lands which are easily accessible for public purposes such as transport, commercial, water, electricity and access road when identification of lands for resettlement by Divisional Secretaries as per the Guidelines of the Ministry of Disaster Management.

Divisional Secretaries should act according to the Guidelines of the Ministry of Disaster Management.

There are no suitable lands in the Kalutara District for resettlement. Basic facilities are being set in selected lands for settlement.

3. Operating Review

3.1 Not - receiving Expected Benefits

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
(a) Even though the 181 plots of land had been given to war heroes in 836 E - Pelenda of the West Grama Niladhari Division in Divisional Secretariat Palindanuwara during the period of 2003 the year and 2012 , the war heroes are resided in only 20 plots of land.	Provide the necessary infrastructure facilities and make arrangements to resettle the war heroes.	Four plots of land were handed over to others for business purposes. Since infrastructure facilities of this should be provided by the Ranaviru Seva Authority, they have been made aware. Meanwhile, two plots of land have been handed over to others and another plot of land has been given to a cousin brother.
(b) Forty eight plots of land were given to war heroes as 22 plots from Imagira land belonging to 620G Maha Ingiriya Grama Niladhari Division of Ingiriya Divisional Secretariat, 26 plots of land from 620 Nimalagama Grama Niladhari Division of Andurugala Estate during the year 2010 . Out of these plots of land, persons have already resided in 13 plots of land and the Title Deeds had not yet been issued.	It is necessary to provide the Title Deeds speedily and settle the war heroes.	Documents to be sent to the Commissioner General of Lands are being prepared to get Title Deeds to the beneficiaries. Actions will be taken if the occupants of undeveloped lands do not settle within the stipulated time , to distribute these lands to other suitable beneficiaries.
(c) Even though 81 plots of land from Pimburawatta Kapuhena land belonging to 829 B Kekulandala Grama Niladhari Division of Agalawatta Divisional Secretariat had been provided to war heroes on 08 December 2009, only 3 families residing there at present. It was observed that some of these lands had already been sold by now.	Actions should be taken to settle the war heroes in the lands and establishing a control system that cannot be sold.	There is no settlements because there is no infrastructure facilities. A programme to provide infrastructure facilities is expected to be implemented in future. It is also expected to hand over the lands of war heroes who does not reside to the newly requested war heroes.

3.2 Abandonment of Projects without Completion

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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<p>The construction of a New Four Storied Building for the Divisional Secretariat, Kalutara had been commenced at a cost of Rs. 108.48 million on 13 February 2017 and should have been completed by 20 May 2018. The work was stopped and only 22.5 per cent of the work was completed and a sum of Rs. 42.9 million had been spent for this purpose.</p>	<p>A proper evaluation of contractors should be made when awarding the contract and that a feasibility study should be conducted when making estimates.</p>	<p>The contract work has been stopped due to financial difficulties of the contracting firm. However, necessary steps are being taken to recall the bids.</p>

3.3. Delays in completion of Projects

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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<p>Four projects that have been started in Agalawatta Divisional Secretariat from the year 2010 to 2015, had not been completed even by 31 December 2018 and a sum of Rs. 8.53 million had been spent in this regard.</p>	<p>Measures should be taken to complete the construction work expeditiously and utilized.</p>	<p>That the District Coordinating Committee has been informed preparing estimates for the implementation of the remaining stage and had been sent to get the approval for the Sinharaja Integrated Rural Development Programme 2018 .</p>

3.4 Procurements

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- (a) The following observations were made regarding the qualifications of the selected contractor for the construction of the Malwathuwakanda Bridge in Mathugama valued at Rs. 5.76 million .

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(i) Non-availability of C6 or higher grade to the selected contractor at the Construction Industry Development Authority (CIDA) .	The C6 or higher grade of the Construction Industry Development Authority (CIDA) should be held by the contractor as per the Bidding Document 4.2 .	Since a high technology is not used in the construction of bridges, whilst the construction of small bridges, the procurement activities has been carried out by open construction grades for this project.
(ii) Even though there should be a civil engineer for this task as per the terms of the bidding documents, it was observed that only a person with a Diploma Certificate from the University of Moratuwa has been employed at the institution as per the documents furnished.	According to the Bidding Document 4.4, there should be a Civil Engineer (BSC).	Since the engineer who is working in the contracted company has been worked in the RDA since 1986 and also has been worked from the year 2013 as well as at the Provincial Road Development Authority, he has experience.
(iii) As per the documents furnished, the contractor has no experience in construction of bridges.	The contractor should have experience in the construction of bridges within the last 10 years as per the Bidding Document 4.4 .	The Bridge Project carrying out under the World Bank Project should have been completed within the stipulated time.

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| (iv) | Non-availability of a certificate issued by the Registrar of Companies as per the documents presented. | The Registrar of Companies shall submit a certificate issued under Paragraph 8 of the General Contract Act No. 43 of 1987 for projects exceeding Rs. 5 billion. | Since a certificate has not been submitted, actions will be taken in future to obtain such a certificate. |
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(b) The following observations are made in respect of the reconstruction of the Holy Cross Church in Kalutara.

Audit Observation	Recommendation	Comments given by the Accounting Officer
The Tender Procedure or Procurement Procedure had not been followed in releasing of Rs. 1.44 million received from the Central Cultural Fund in the year 2018 for the reconstruction of the Holy Cross Church in Kalutara.	Arrangements should be made in terms of the Procurement Guidelines in the use of public money.	It had been informed to pay out of the Tender Procedure or Procurement Procedure by the Letter No. D / CO / 01/08 of the Director of the Central Cultural Fund (Religious and Arts Affairs) dated 18 October 2018 .

3.5 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
(a) Out of the 40 Nila Sevana offices constructed in the year 2017 with the objective of providing with comfortable offices to Grama	Making arrangements for the immediate use of the completed Nila Sevana offices to	Five out of the 40 Nila Sevana offices have been opened. Actions are being taken to obtain

Niladharis, Development Officers, Samurdhi Officers and Agricultural Research and Production Assistants attached to the Grama Niladhari Divisions in Kalutara District, the 35 Nila Sevana offices, which had been built at a cost of Rs. 70 million, had not been utilized.

officers.

dates from the electoral organizers to open the remaining 35 offices.

(b) Arrangements had not been made to complete the construction from the year 2014 to 2018 of the Iththapana Crematorium, which is under construction at a cost of Rs. 8.73 million in the Walallavita Divisional Secretariat area, the year and utilize.

Actions should be taken to hand over the Crematorium to the Pradeshiya Sabha after the completion of the construction.

The procurement works has been commenced by Walallawita Pradeshiya Sabha for the construction of the burner of the Crematorium and Chimney under the funds of the Provincial Council.

(c) The maintenance works of the Suraksha Centre which was built at a cost of Rs. 8.78 million, in the Palindanuwara Divisional Secretariat, had not been carried out to be able to use in the event of a disaster in the year 2017.

Preparation of a proper mechanism for the maintenance works and implement it.

The offices of the Economic Development Officers and the Samurdhi Officers are being maintained and steps are being taken to open a vocational training center.

3.6 Losses and Damages

The following observation is made.

Audit Observation

Actions had not been taken to settle the damages amounted to Rs. 2.62 million in 04 Divisional Secretariats.

Recommendation

Actions should be taken to identify the damages and to settle them.

Comments given by the Accounting Officer

Actions are being taken to remove it from the books.

3.7 Management Weaknesses

During the inspection of the state lands of the Kalutara District, the following matters were observed.

Audit Observation

Recommendation

Comments given by the Accounting Officer

Out of the 11,225 plots of land which have been identified as unauthorized encroachments in 14 Divisional Secretariats in Kalutara District, 73

Actions should be taken to complete the the regulation of unauthorized lands soon.

The Additional District Secretary (Land) has proven as this information was accurate .

Land Kachcheries were held and only 759 plots of land were regulated during the year under review.

3.8 Assets Utilization

The following observations are made.

Audit Observation

Recommendation

Comments given by the Accounting Officer

Even though the 460.2961 hectares of land in extent in 05 Divisional Secretariat areas had been acquired by various government agencies for the commencement of projects in between the year 1987 and 2006 , the projects had not been commenced up to now.

Actions should be taken to make provisions by preparing project reports before the acquisition of lands.

Although the Lands had been acquired, projects had not been commenced.

4. Achieving Sustainable Development Goals

The following observations are made.

Audit Observation

Recommendation

Comments given by the Accounting Officer

It has been agreed in the year 2018 to prepare a Regional Sustainable Development Plans for the Kalutara Divisional Secretariat after preparation of Regional Sustainable Development Plans at Divisional Secretariat level based on that with the objectives of achieving

The Sustainable Development Plans should be formulated at Divisional Secretariat levels immediately.

It has been informed the Divisional Secretaries to prepare a plan.

Sustainable Development by 2030 .
However, Sustainable Development
Plans had not been prepared at
Divisional Secretariat level up to
now.