

Head 272 - District Secretariat, Kurunegala

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1. Financial Statements

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1.1 Qualified Opinion

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The audit of the financial statement of the District Secretariat, Kurunegala for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018, 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, Kurunegala was issued to the Accounting Officer on 22 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018. The detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 22 May 2019. 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 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, Kurunegala as at 31 December 2018, and of its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities of the Financial Statements, are 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 Chief Accounting Officer and Accounting Officer for the Financial Statements

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Chief 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 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

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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 General's summery 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 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 structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly presented when submitting financial statements as a whole.

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 accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year by the District Secretariat, 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, Kurunegala to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

### 1.6 Comments on Financial Statements

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#### 1.6.1 Statement of Financial Position

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The following observations are made.

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
No action had been taken to assess and account of the 54 quarters belonging to the District Secretariat and Divisional Secretariats.	All the assets of the District Secretariat and Divisional Secretariats should be accounted.	Due to the problem of finding the deeds required for valuation of quarters, the value alone could not be accounted.

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

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The following observations are made.

<u>Observation</u>	<u>Reference to Non-compliance</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
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Letter of the Director General of the Department of National Budget No. BD / GPS / 130/9/14 / MC-II	Even though the value of motorbikes should be recovered from the retired, suspended and vacated post field officers who were provided motorbikes under the	Should act in accordance with the circulars	Those officers were informed in writing

dated 07 July 2014/2015 budget proposals, 2015 a sum of Rs.2,154,540 were being recovered from 15 field officers of 09 Divisional Secretariats in the Kurunegala District Secretariat.

## 2. Financial Review

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

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The following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
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(a) The provisions of Rs.187,886,028 received from 07 Ministries, 03 Departments and the Presidential Secretariat during year 2018 had not been utilized. It was ranged from 20 percent to 79 percent.	The programmes should be implemented timely by maximum utilization of received provisions.	These provisions had been saved due to lack of imprest and lack of time to implement the project.
(b) The provisions of Rs.25,643,094 had been given by the 04 Ministries in the year 2018 were being saved 100 percent due to non-performing of relevant activity and expected objective had not been fulfilled.	Actions should be taken to perform the activity during the year in which the provisions were made.	The provisions were being saved and the project could not be implemented due to bad weather conditions and inadequate time to implement the project. Further this was resulted due to provisions of Ministry of Industry and Commerce were not given as contingent provisions in accurately and the provisions were received on 27 December 2018 and unavailability of imprest from Ministry of National Integration and Co-existence.

### 2.2 Deposits Balances

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Actions had not been taken relating to deposits valued at Rs.47,90,631 outstanding over 02 years according to Financial Regulation 571.	Action should be taken on outstanding deposits in accordance with Financial Regulation 571.	Retentions could not be released without sufficient imprest from the Treasury. Outstanding deposits up to 2017 at Divisional Secretariats were released by now.

### 3. Operating Review

#### 3.1 Non Achievement of Expected Outcome

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) 23 projects with a government contribution of Rs.324,824 were implemented in years 2014, 2015, 2016 and 2017 in Kobeigane Divisional Secretariat under the Samurdhi Beneficiaries Empowerment Project were being failed.	Once the projects are implemented, follow up actions should be taken to ensure that they are successful.	Actions are being taken to restore the failed projects into successful condition.
(b) Works had been done on the renovation of the Divulwewa and Kekulawala wells, construction of the water storage tank, construction of the fence around the well and the wiring of the pumping station in the Ganewatta Divisional Secretariat area at a cost of Rs.2,979,800 under the Rural Infrastructure Development Programme in 2016 and 2017. However, the expected objectives had not been achieved due to the lack of provisions of Rs.3,141,715 needed for 02 water pumps and plumbing require for complete the remaining works.	That the public should be given maximum productivity in spending public funds.	A necessary piece of equipment had been purchased by now. It is expected to achieve objective through future provisions.
(c) Although the construction works of the Ibbagamuwa Town Hall was completed in the year 2017 and opened for public under the Deyata Kirula Continuous Project by spent a sum of Rs.50,262,908, was remained idle as at 30 April 2019 without being used.	It should be achieved the expected objectives of the project by utilize those after complete the projects by spent government funds.	The instructions were requested from the Ministry by the letter dated 03 April 2019 to handover the Town Hall to the Pradeshiya Sabha.

- (d) Although the works had been completed by spent a sum of Rs.50,391,654 for the Mawathagama Weekly Fair under the Deyata Kirula Development Programme, it was idled even as at 30 April 2019.
- It should be achieved the expected objectives of the project by utilize those after complete the projects by spent government funds.
- Work on the project had been completed and handed over to the Pradeshiya Sabha in March 2018, informing that the remaining works have to be completed and the contingency provisions were not available for end of the financial year 2017. The existing works had been completed and used for trading activities in the weekly fair.
- (e) Although an agreement had signed for a sum of Rs.1,223,600 for complete the electrical works in the Ibbagamuwa weekly fair under Deyata Kirula Development Programme, such works had not been fulfilled. Similarly, the deficiencies such as flooding during rainy season, lack of parking spaces and insufficient space for all vendors were observed in the entrance road to the Ibbagamuwa Weekly Fair built by spent a sum of Rs.30,980,822 in 2017 and earlier years and the intended goals had not met due to being idle without using.
- It should be achieved the expected objectives of the project by utilize those after complete the projects by spent government funds.
- The constructions have been carried out according to the relevant plans. It is the duty of the Pradeshiya Sabha to develop infrastructure facilities such as designing access roads and creating parking facilities.
- (f) Out of 37,500 Cavendish banana plants worth of Rs.3 million, 3,350 plants had destroyed due to lack of proper standard and given to cultivate in 50 acres area in Mahawa region under the Cluster Entrepreneurship Model Project of Fruit Production conducted across District Secretary operate by the Fruit Research and Development Institute of the Department of Agriculture under provisions of the Ministry of Agriculture. Although it was proposed to provide water requirement for Cavendish banana cultivation
- The works that needs to be done should be accomplished in advance to achieve the desired goals.
- I would like to emphasize that all the banana plants supplied by CIC were in good health. It can be concluded that the extreme drought conditions, high temperature condition during this period may cause the death of the plants. Although the officials of the Department of Agriculture had advised the farmers to be conserved soil water, most of the farmers had not taken any actions for that. There are no sterile plants and that symptoms disappear when the plants grow. Although the plants supplied by CIC (Plants between 8-24 inches with 4-5 leaves as per specification) had not accordance with the specification, the supplied plants grew to 4-6 inches tall and 3-4 leaves. According to my

from 4.8 million provision, due to non-availability of sprinkler system, 11,800 plants worth Rs.1.18 million were not planted in the field. Although Rs. 5.70 million had been spent by nine farmers for the preparation of land and other activities, even minimum growth requirements had not achieved due to failure to meet the water requirements of the plantation. There was a problem of achieving the intended objectives due to contracts were not signed with a suitable market, individual or institution for purchase post-harvest.

knowledge, cultivate this size banana plants also under suitable environmental conditions can be maintained good banana cultivation. The number of failed plants were 8.9 percent. It may have caused the weather and climate. Uncertainties regarding the methodologies to be implemented the project and specifications thereto have led to the failure of this project due to delay in receiving allocations and insufficient funds received.

### 3.2 Other Observations

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The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Only the water tank had built at a cost of Rs.497,500 in year 2016 for the Wedeniyagama Water Supply Scheme which was initiated under the Rural Infrastructure Development Programme in the Seeradunna Grama Niladhari Division of the Ganewatta Divisional Secretariat and the constructed water tank remained idle due to the water pump, pump house and plumbing system were not built.	Actions should be taken to complete the project by taking necessary allocations as enable to obtain the results when commencement of the project.	It had been approved as a proposal under the Gamperaliya Program in year 2018.
(b) A sum of Rs.2,151,523 allocated for the construction of 02 playgrounds in the Udubaddawa Divisional Secretariat Division under the	Actions should be taken to make the best use of the available funds for the benefit to the	The project was revised due to lack of time to implement the open procurement procedures and the agreement of the pradeshiya sabha was not received at any time.

Rural Playground Development area. Project in year 2018 had been cancelled due to lack of agreement between the Udubaddawa Divisional Secretariat and the Pradeshiya Sabha.

### 3.3 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A total of 16 acres 3 rood land and 13 buildings in the same land were remained idle in 18 Grama Seva Divisions belonging to the Mallawapitiya and Kotawehera Divisional Secretariats.	The steps should be taken to use state property without being idled.	Since these buildings do not belong to the District Secretariat or the Divisional Secretariat, the points shown in the audit query were informed to that institutions.
(b) Although the total cost of Rs.2,931,038 had been incurred in 2011, 2012 and 2014 for the construction of a multipurpose building in the Mallawapitiya Divisional Secretariat area, it had underutilized due to failure to complete the entire works.	Steps should be taken to fully utilize the state properties.	Money had been requested to complete the remaining works of this. The offices of Grama Niladhari, Development Officer and Samurdhi Officers are being functioned in the completed area.
(c) The rings were bended due to soil were not hardened around the drinking well constructed at a cost of Rs.462,638 in Pothuwila Grama Niladhari Division on allocation received in year 2015 from the Ministry of Disaster Management in the Polpithigama Divisional Secretariat.	Confirm whether the projects were done at required standard before the payments are made and the require project should be commence after feasibility study.	Due to the shortcomings in the well it is not suitable for use as a drinking well and farmer organizations had been informed to rectify those shortcomings. Until then the payment of retentions had been suspended.
(d) The stall was constructed in year 2017 at a cost of	It is also important to be considered	The Divisional Secretary was informed that steps will be taken to use as a



Rs.300,000 for provided with the necessary facilities to store and process products and the intention of marketing of such products of the Samurdhi beneficiaries in the Polpithigama Divisional Secretariat area being idled even as at 31 December 2018 due to non-availability of required equipment without intended purpose had been fulfilled.

that the availability of funds to complete the advance activities of the project.

marketing center of the Samurdhi recipient's until its requirements are met for sale activities.

(e) Although the clay grinding mill at Madawalagaraya belonging to the Udubaddawa Divisional Secretariat area had been provided five years ago, the machine had being idled without availability of necessary power supply due to the land had not been taken over by the government.

Action should be taken to take over possess of the land before the construction is commenced.

It had been planned to provide electricity from the funds were allocated for the livelihood development of the Grama Shakthi programme. It was planned to delegate this responsibility of the payment of the electricity bill to the utilizing group.

(f) Actions had not been taken to dispose of 25 vehicles proposed to be auctioned as at 30 April 2019.

Actions should be taken to dispose these vehicles without delay.

The approval of the Secretary of the Ministry had not been granted for disposal of vehicle until 02 May 2019. The preliminary works on vehicle disposal had been finalized and the letter had been forwarded to the Ministry on 02 May 2019 for requesting approval once again for disposal.

### 3.4 Uneconomic Transaction

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The following observations are made.

#### Audit Observation

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Although the tube well was constructed for the Mohothawa Gangurulewa Drinking Water Supply Scheme at Mallawapitiya Divisional Secretariat in the year 2015/2016 at a total cost of Rs.783,245 , the intended purpose

#### Recommendation

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Before starting the project it should be considered the way of funding to complete the project.

#### Comments of the Accounting Officer

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Although requests for this project were made in 2016/2017 and 2018, allocations were not made.

had not been met due to non-achievement of construction of the water storage tank, laying of the separation pipes, obtaining three-phase power supply, obtaining water pumps and installation.

### 3.5 Management Weakness

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The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Although it had been over a period of 01 - 05 years since leaving the service, the 06 outstanding credit balances amounting to Rs.677,225 were also being existed as at 31 December 2018.	Actions should be taken to recover.	Actions are being taken to recover the loans that could be recovered from the guarantors and otherwise, as advised by the Attorney General.
(b) An amount of Rs.308,940 should be paid by two deceased officers of 02 Divisional Secretariats had not been paid until as at 31 December 2018.	Actions should be taken to recover.	Legal advices were requested. One balance should be recovered from death gratuity.
(c) A loan balance totalling Rs.298,518 has been recovered from two retired officers of two Divisional Secretariats as at 31 December 2018.	Actions should be taken to recover.	Due to be recovered from retirement gratuity
(d) The total outstanding loan balances of Rs.319,679 as at 31 December 2018 has not yet been recovered from 05 interdicted officers. These loan balances ranged between 01 to 18 years.	Actions should be taken to recover.	Actions were taken to consult the Attorney General. Officers have been informed to recover from the guaranties.
(e) Although a sum of Rs.3,923,795 had been awarded for 70 properties, bodies and lives damages by the wild elephant attacks in the Kurunegala District in the year 2018, the compensation payments had been passed between 06 months to 01 year and 11 months from the date of the injury. The achievement of government's objective of compensating the victims was low because the	Action should be taken to pay compensation as soon as possible and provide relief to the victims.	Delays may occur due to incomplete applications receive to the compensation committee and they must be returned to complete the shortcomings.

compensation system takes a long time.

- (f) Although four tanks which irrigate 50 acres of paddy fields in the Kotawehera Divisional Secretariat area had been destroyed by the heavy rains in May 2018, no steps had been taken to repair those tanks.
- The Agrarian Services Department should be made aware of the steps to be taken to restore the damaged tanks and feedback procedures should be implemented.
- Although the District Secretary was informed by the Department of Agrarian Services in this connection, provisions were not received.

- (g) Machinery and equipment valued at Rs.122,264,445 had been provided to implement small scale apparel projects in 10 Centers in 10 selected Divisional Secretariat areas in Kurunegala District by the Ministry of Industry and Commerce. A sum of Rs.3,776,180 had been incurred as operating expenses on behalf of the project in year 2017 and 2018.

The observations made in this connection are shown below.

- (i) Although details of places and persons at Divisional Secretariat level selected by the District Secretary were referred to the Director of the Ministry of Industry and Commerce, additional electricity expenditure of Rs.138,290 had to be incurred and delays in commencing training were occurred due to the Secretary of the Ministry of Industry and Commerce

has selected and sent other places and persons.	Action should be taken to success of the currently failed projects so as to achieve maximum benefit of the money spent and also achieve the intended purposes of the project and while handover of state assets to various parties and start and running business should be done in a legal manner.	The documents related to registration had been prepared and sent by the
(ii) Although after six months of training, it was proposed to operate as self-sufficient factories, the garment factories in Polgahawela, Kurunegala, Panduwasnuwara (West), Mahawa, Ridigama and Udubaddawa had been shut down and the machines were inoperative at the audited date of 26 February 2019.		08 out of the 10 training centers related to this project. At present, seven centers are being operated successfully and five of them are being operated as business units by obtaining orders systematically.

(h) There were 127 cheques valued at Rs.15,291,872 written by District Secretariat and 14 Divisional Secretariats as at 31 December 2018 but not handed over to relevant parties as at 21 January 2019.	The cheques should be handed over after goods and services are provided.	There are slight delays in deliveries due to the purchase were done from administrative costs of development projects at the end of the year. So far, purchased goods had duly received and cheques had been released.
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#### 4. Achievement of Sustainable Development Goals

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The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The targets set for the Sustainable Development Goals identified by the District Secretariat had not been prepared even as at 30 April 2019.	Identify targets that are relevant to sustainable goals and actions should be taken to achieve them.	It had been planned to prepare and complete targets for 2019 very soon.
(b) The Sustainable	Sustainable Goals and	The Action Plan for the year 2019 had

Development Goals targets should be already been prepared and hoping to include and revise the Action Plan once those targets relating to Sustainable Development Goals have been identified.

identified by the District Secretariat and the targets set thereon had not been included in the Action Plan of the Institute.

- (c) The milestones needed to regulate the functions relevant to reaching toward Sustainable Development Goals had not been identified. The milestone needed to regulate the functions relevant to reaching toward Sustainable Development Goals should be identified. The Planning Division of the District Secretariat will work to regulate the activities of achieving the Sustainable Development Goals.

## 5. Good Governance

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### 5.1 Render services to the public

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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The websites of the Kurunegala District Secretariat and Divisional Secretariats had not been prepared to be able to accept public complaints.	The website should be designed to be able to accept public complaints.	Due to a technical flaw in the website, so far the public complaints could not be accepted.

## 6. Human Resources Management

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The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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There were total number of 219 vacancies in the District Secretariat and Divisional Secretariat Offices as at end of the year 2018 and out of it 21 were primary level, 166 were secondary level, 28 were Territory level and 04 were senior level.	The vacancies should be filled.	The Secretary of the Ministry had been informed about vacancies.