

Head 257 – Kaluthara District Secretariat

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kaluthara District Secretariat for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Kaluthara District Secretariat was issued to the Accounting Officer on 18 June 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 17 June 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Kaluthara District Secretariat as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

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

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

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

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

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

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

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

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

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

1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

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

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Non- revenue Receipts

Audit Observation	Comments of the Accounting Officer	Recommendation
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When calculating the net expenditure incurred by the District Secretariat for Heads of other Ministries and Departments, the total credit balance of Rs. 197,877,835 for the surcharges of the relevant expenditure items were stated as other receipts in the Statement of Financial Performance and due to that, the balance of non – revenue receipts was higher than that amount.	It has been informed that it will be done correctly in the future.	Financial statements should be prepared after correctly identifying those non-revenue receipts.

1.6.2 Statement of Financial Position

Property, Plants and Equipments

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The opening balance of the Property, Plant and Equipment for the year under review was Rs. 2,386,595,021 according to the treasury printouts but, a incompatibility of Rs. 41,685,679 was observed in the opening balance of property, plant and equipment due to that opening balance was Rs. 2,428,280,700 according to the financial statements. The opening balance of the account of property, plant and equipment reserves also had shown a similar discrepancy.	Changes have been identified and once the epidemic is over, that will be rectified with the treasury.	The financial statements should be prepared on the basis of the correct balance by comparing the balance according to the books of the institution and the treasury books.
(b) An incompatibility of Rs. 52,205,834 was observed in the balance of property, plant and equipment at the end of the year under review and there was a similar discrepancy in the closing balance of the account of property, plant and equipment reserves due to the balance of property, plant and equipment was Rs. 2,541,892,874 as at 31 December 2020 according to the Statement of Financial Position but, according to the treasury printouts, that balance for the day was Rs. 2,594,098,708.	-Do-	-Do-

- (c) A discrepancy of Rs. 197,513,967 was observed due to the balance of property, plant and equipment in the ACA – 6 “Non-financial Declaration” of the financial statement as at 31 December 2020 was stated as Rs. 2,739,406,842 but, that balance was stated as Rs. 2,541,892,874 in the Statement of Financial Position.
- Officials have been informed that the correct value was not mentioned in the Statement of Financial Position and to avoid these shortcomings in the future.
- Those financial statements should be prepared based on accurate values.

1.6.3 Imprest Adjustment Account

Audit Observation	Comments of the Accounting Officer	Recommendation
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According to the calculations made in the financial statements, the net expenditure incurred on other Ministries and Departments to be adjusted to the imprest adjustment account was Rs. 6,607,321,132 but, the District Secretariat had adjusted the gross expenditure of Rs. 6,805,198,968 to the imprest adjustment account.	That the officers were informed to take action to avoid these shortcomings in the future.	Correct values should be included in the imprest adjustment account.

1.6.4 Reconciliation Statements on Advances to Public Officers’ Account

Audit Observation	Comments of the Accounting Officer	Recommendation
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The loan balance of Rs. 181,570 at the end of the year of an officer belonging to the Kaluthara Divisional secretariat had been omitted from the member’s loan register.	Delays have been accepted and it was informed that there will be no shortcomings in the future.	The member’s loan register should be maintained correctly.

1.6.5 Imprest Balance

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) According to the treasury computer printout (SA-21), the expenditure incurred by the District Secretariat on behalf of other Ministries and Departments was Rs. 6,813,504,501 but, that amount was stated as Rs. 6,805,198,968 in the imprest adjustment account. Therefore, it was observed an incompatibility of Rs. 8,305,533 in expenditure incurred on behalf of other Ministries and Departments.	Officials have been informed to avoid such shortcomings in the future.	That financial statement should be prepared on the basis of accurate values compared to the treasury balances.
(b) The settled balance of transit imprest according to the books of the District Secretariat but, balance of imprest in transit amounting to Rs. 7,424,361 according to the books of the treasury as at 31 December 2020 was not disclosed in the financial statements.	It has been reported that the delay was not noted in the financial statements.	That the balance of cash in transit should be disclosed in the financial statements.

1.6.6 Non- maintenance of Registers and Books

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The damage register had not been updated in accordance with Financial Regulation 110.	The damage loss register has been updated.	The damage register should be updated in accordance with Financial Regulation 110.

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| (b) The liability register had not been updated in accordance with Financial Regulation 214. | No answer was given. | The liability register should be updated in accordance with Financial Regulation 214. |
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2. Financial Review

2.1 Expenditure Management

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The savings were Rs. 916,905 and that savings ranged from 7 percent to 29 percent of the net provision due to the total amount provided for a capital expenditure subject and 03 recurrent expenditure subjects was Rs. 10,199,000 and it had been only utilized Rs. 9,282,094.	It was stated that the remaining provisions were due to retirement, reduced utilization of funds due to the epidemic situation and surcharges on expenditure.	Steps should be taken to prepare estimates correctly and to utilize the provisions efficiently.

2.2 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) According to the SA-92 treasury printed note, the balance of liabilities and commitments at the end of the year under review was Rs. 2,272,050 but, according to the note number (iv) of the financial statements, the balance was Rs. 884,518 and a incompatibility of Rs. 1,387,532 was observed in the balance of liabilities and commitments as at 31 December 2020.	It has been informed that further investigation will be done and an answer will be given.	Accurate information should be included in the financial statements in comparison to the treasury books.

- (b) It was observed that when entering the information in the “Statement of liabilities and Commitments” under Note No. (iv) of the financial Statements, the maximum liability limit as per Financial Regulations 94 (2) should be noted but, such information was not included in the Statement of Liabilities and Commitments.
- It has been informed that avoid the shortcomings of the presentation of information in future.
- The financial statements should be submitted accurately and completely.

2.3 Certification to be done by the Chief Accounting Officer / Accounting Officer

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control of the District Secretariat is developed and maintained in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018 and the effectiveness of the system should be reviewed from time to time and changes needed to be made to keep the system effectively. But, such review statement had not been submitted to the audit.</p>	<p>It was reported that the control systems were reviewed and noted for further improvement.</p>	<p>Action should be taken in accordance with the provisions of section 38 of the National Audit act No. 19 of 2018.</p>

2.4 Non-compliance with Laws, Rules and Regulations

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

Audit Observation -----	Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations -----		
Provisions of the -----	-----	-----
(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka. Section 4.4 of chapter		
i. XXIV	The total loan balance of Rs. 371,133 for two officers who died 2 or 3 years ago had not been settled by the end of the year under review as per the relevant positions.	It was informed that the action will be taken to recover the current debt balance of Rs. 371,133.
ii. Chapter XXIV 4.2.2, 4.2.4, 4.2.5, 4.5, 4.6 and 6.3	Between 3-12 months and 2-3 years after the officer retires, there are 2 unpaid debts of Rs. 280,296.	Now, there are two debt balances of Rs. 280,296 and they are being settled.
iii. Section 4.5 and 4.6 of Chapter XXIV	The total outstanding balance was Rs. 659,913 of the 5 suspended officers who acted in accordance with the provisions and remained unresolved.	Those settlements have been delayed due to court actions against the officers.
iv. Section 4.5 and 4.6 of Chapter XXIV	The total balance of Rs. 342,889 due from three officers who left the post 2 years or earlier had	Debt write-offs and installments are being settled.

not been recovered in accordance with the provisions up to the end of the year under review.

(b)	Financial Regulation 109(1)	The District Secretary had given permission to cut off the recoverable loss of Rs. 97,252 due to an accident that occurred in the year 2006 at the Panadura Divisional Secretariat from the books contrary to the provisions of the Financial Regulations on the recommendation of the Divisional Secretary.	As the Court has given a decision to recover the loss from a third party, it has been informed that the loss has been deducted subject to follow up and recovery.	Should be act in accordance with the provisions of the Financial Regulation 109 (1).
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2.5 Fraudulent Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>When the payment was made, the Divisional Secretariats used Cube test and Core test as the basic basis for road quality assurance of road construction in the Sapirigama project implemented in the year 2020. However, it was observed that a total of Rs. 82,087,610 was paid to the contractors for 141 projects due to the following changes and other shortcomings in the test reports based on the payment.</p>	<p>Due to the Covid epidemic situation in the district, it has been delayed to get explanations from the regional offices and they have informed that they will reply as soon as they are received.</p>	<p>A formal investigation should be carried out to identify the responsible parties and take action to calculate and recover the loss incurred by the government due to payment on false reports.</p>

Deficiencies in the reports	No. of DSs	No. of projects
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* Payments based on the failed reports submitted by the Horana and Rathmalana laboratories of Provincial Road Development Authority which have been successfully modified	12	34
* Payment on test reports not issued by the laboratory but, designed as those issued by the laboratory	01	05
* Having paid a payment for the contract without paying attention to the results of the test reports despite the failure.	12	69
* In case of the failure of test reports, payment made on the basis of second test reports obtained from the same laboratory without informing the laboratory that the test reports have failed.	06	18
* In case of the failure of test reports, payment made on the basis of second test reports obtained from another laboratory without informing the laboratory that the test reports have failed.	02	04
* Payment have been done on the basis of a test report obtained after 39 days by giving samples which could not be formally confirmed despite the failure of the compression reports for 07 days and 28 days.	01	01
* In case of the failure of reports, the retention money related to substandard construction should be increased and paid only on the decisions of a committee of the Divisional secretariat.	05	07
* Payments made before receiving the laboratory test reports	01	03
Total		----- <u>141</u>

2.6 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The total balance of 6 General Deposit Accounts was Rs. 552,583,335 at the end of the year under review. Out of these, there was observed the total unresolved amount of Rs. 209,226,429 more than two years in respect of 5 General Deposit Accounts and the total of Rs. 45,848,596 was further observed as deposit balances exceeding 5 years. It was observed that no formal steps had been taken to rectify the deficiencies and errors in accordance with the provisions of Financial Regulation 571(3) and to pay the deposits to the relevant parties or credit to the government revenue.</p>	<p>It has been reported that settlements have been delayed due to the prevailing epidemic situation and lack of imprest.</p>	<p>Should be act in accordance with Financial regulation 571(3).</p>

3. Operating Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>It was observed that although the District Secretariat had prepared an action plan for the year under review, it did not include the details required to be included in the provisions of the Public Finance Circular No. 1/2014 dated 17 February 2014.</p>	<p>It has been informed that plans will be prepared in the future as per the provisions of the circular.</p>	<p>Action should be taken in accordance with the circular provisions.</p>

3.2 Local funded projects

2,367 construction projects were implemented in 14 Divisional Secretariats in the Kaluthara District during the year under review under the “Sapiri Gamak” community bases rural development programme and the following observations are made in this regard.

3.2.1 Identifying and Implementing Projects

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although an allocation of Rs. 1,524,000,000 has been approved for the projects of “Sapiri Gamak” Community Based Rural Development Programme of the Kaluthara District Secretariat, out of that only 2,367 projects worth Rs. 1,508,700,000 were implemented. Accordingly, due to the non-implementation of 23 projects worth Rs. 15,300,000, that money had not been utilized for development activities in the Kaluthara District.	Due to the delay in obtaining explanations from the regional offices due to the Covid epidemic situation in the district, it has been informed that they will reply as soon as they are received.	Steps should be taken to utilize all the allocations received for development activities in the district.
(b) Although 9 areas have been given priority in identifying projects as per the provisions of the Ministry of Finance Circular No.MFEPD/PLAN/RD2020 dated 6 December 2019, out of 2,367 projects implemented by 14 Divisional Secretariats, it had been only selected 2,284 projects or 96.5 percent projects related to rural roads, stairs, culverts, small bridges and side drains. Only 83 projects were identified for the remaining 8 sectors. Accordingly, it was observed that when selecting the projects, no action had been taken	-Do-	In order to achieve the desired economic development objectives, projects should be selected covering all sectors as per the circular provisions.

to select the projects according to the economic development view objectives which were expected from the circular.

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| (c) | Out of the allocations made for the Divisional Secretariat 14 for construction projects, 996 industries were implemented under the direct supervision of the Divisional Secretariat. The Local Government institutions in the Kaluthara District had done all the work of preparing estimates, supervising and submitting the bills for the remaining 1,371 industries and the Divisional secretary had done the payments for the submitted bills. | -Do- | A programme should be prepared to utilize the received allocations by the District Secretary to ensure the responsibility of the Accounting Officer. |
| (d) | Although when the time of utilization of the allocations the District Secretary and the Divisional Secretaries acted as the Accounting Officers, the Divisional Secretaries did not take steps to check the estimates and bills prepared by the Local Governments for the projects implemented by the Local government Institutions. It was also observed that the District Secretary had not taken action to issue the internal circulars or a guideline. | -Do- | A programme should be prepared to utilize the received allocations by the District Secretary to ensure the responsibility of the Accounting Officer. |

3.2.2 Deficiencies in the implementation of development projects

Findings of the sample audit test conducted on the basis of documents and reports of Sapirigama projects implemented by 11 Divisional Secretariats are given below.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the price schedules approved by the Deputy Chief Secretary (Engineering) of the Western Province, 162 project form works with a rate of Rs. 3,351 instead of Rs. 1,335 or Rs. 943 per square meter to be used for road construction and it was observed that payments for the work had been done by 07 Divisional Secretariats based on over estimates of Rs. 22,351,434. Details are given below.	The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.	A formal inspection should be carried out to recover the overpaid amount and take appropriate action against the responsible parties.

<u>Divisional Secretariat</u>	<u>Number of implemented projects</u>	<u>Overestimated paid amount</u>
Walallawita	08	796,004
Kaluthara	63	5,999,473
Panadura	35	6,683,019
Madurawala	21	831,593
Horana	12	6,683,019
Bulathsinhala	18	746,236
Salinda Nuwara	<u>05</u>	<u>612,090</u>
	<u>162</u>	<u>22,351,434</u>

(b) Divisional Secretariat – Walallawita

Audit Observation	Comments of the Accounting Officer	Recommendation
Approved price rate with transport charges for one cubic meter for concrete when laying road concrete was Rs. 19,314 but, in preparing the estimate it was up to the freight free price and as an additional subject, transport charges of Rs. 930 per cubic meter will be included and Rs. 5,124,709 have been overpaid.	The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.	A formal inspection should be carried out to recover the overpaid amount and take appropriate action against the responsible parties.

(c) **Divisional secretariat – Kaluthara**

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although a maximum of Rs. 2,000,000 has been allocated for development projects in one division in accordance with the circular provisions pertaining to the Sapirigama project, there is a project to construct a side wall in Division 729D at a cost of Rs. 4,000,000 using the provisions of two divisions in the Kaluthara Divisional Secretariat.	The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.	Provisions should be utilized in accordance with the circular provisions.

(d) **Divisional Secretariat – Dodangoda**

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(i) According to the approved price schedules for the year 2019, it was observed that the approved price of 37.5 mm of aggregate used in the construction industry will be Rs. 2,400 per cubic meter instead of a total of Rs. 1,180,823 had been overpaid for 115 projects including Rs. 3,134 for a cubic meter.	The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.	A formal inspection should be carried out to recover the overpaid amount and take appropriate action against the responsible parties.
(ii) It was observed that the items have been transported from a same distance of 20km and an abnormal transport fee of Rs. 1,752,527 had been estimated for 115 projects at a cost of Rs. 620 per cubic meter for 20km to transport items for projects implemented in various locations of the Divisional secretariat area.	-Do-	It should be identify the overpaid amount on abnormal estimates and recover it to the government and get appropriate action against the responsible parties.

(e) **Divisional Secretariat – Horana**

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(i) According to the sample test, chip stones were used in the finishing of 76 tarred roads for the first time at a rate of 2 liters per 1 square meter and it was possible to pay Rs. 302 per square meter according to the approved prices for the years of 2019 and 2020. However, the approved prices for applying sand instead of chip stones in the years of 2019 and 2020 will be Rs. 329 and Rs. 324 per square meter was included for the estimation and Rs. 844,196 had been overpaid price estimation for 76 projects.	The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.	A formal inspection should be carried out to recover the overpaid amount and take appropriate action against the responsible parties.
(ii) The Divisional Secretariat laid concrete for 108 roads in the jurisdiction and the road surface was prepared using ABC (Aggregate Base Course) before laying concrete at a ratio of 1:2:4 at a height of 5 inches on 78 roads. Estimates were made at a total price of Rs. 3,510 per cubic meter according to the prices approved by ABC. The amount of ABC used for the road should depend on the nature of the road surface, but considering the same height of 76 mm as the ABC laying base on the road level for the all 78 concrete roads and it had been prepared the total abnormal estimation of Rs. 3,456,347. It was observed that payments were made without paying attention to it.	-Do-	It should be identified the overpaid amount on abnormal estimates and recover it to the government and get appropriate action against the responsible parties.

(f) **Divisional Secretariat – Bulathsinhala**

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(i) Although the height of the other concrete roads constructed under the Sapirigamak project in the Divisional secretariat area is 0.125m, only the Diwalakada Illukmandiya road was estimated to be laid with concrete at a height of 0.152m at a cost of Rs. 2,000,000 and thus the facts on which to increase the thickness of the road were not submitted for the audit. Due to the increase in the thickness of the road from 0.125 m to 0.152m, the estimated cost for concrete had increased by Rs. 296,470. Although it was estimated that 86.41 cubic meters of concrete would be laid for the road at 1:2:4:, due to the payment was made for the 90.7 cubic meters at the time of payment it was overpaid Rs. 82,787 for 4 cubic meters of the road. According to the core test of the height of the road, the height of the road is 0.150m and even though it is not the estimated height of 0.152m, Rs. 1,980,000 was observed to have been paid.	The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.	A formal inspection should be carried out to recover the overpaid amount and take appropriate action against the responsible parties.
(ii) Provisional Sum was estimated at Rs. 16,000 each to obtain test reports to confirm the thickness of 10 concrete roads as revealed in the sample test and Rs. 11,613 was paid to the research institute for the test report of a road. It was observed	-Do-	Appropriate action should be taken against the responsible parties involved in the preparation of abnormal estimates.

that the excess amount was estimated for obtaining test reports and the remaining amount was paid into other subjects as additional work finishes.

(g) Divisional Secretariat – Palindanuwara

Audit Observation	Comments of the Accounting Officer	Recommendation
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(i) According to the listed price schedules of roads issued by the Deputy Chief Secretary (Engineering Services) of the Western Province, when preparing estimates from 01 September 2020, Rs. 18,484 had to be used for 1:2:4 cubic meter of concrete. But for the projects that were implemented after that date, the cost per cubic meter of concrete was Rs. 19,314 and as the result of that payments were made on overvalued estimates of Rs. 612,498.	The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.	A formal inspection should be carried out to recover the overpaid amount and take appropriate action against the responsible parties.
(ii) Rs. 423,975 was paid for the JCB machine used to cut and develop the Haldola road in Palindanuwara Divisional Secretariat area for 115.5 hours. Inspection of the documents based on the payments submitted by the audit did not state the date of operation of the machine and it was observed that the used machine was belonging to the Sri Lanka Army.	-Do-	The formal action should be taken against the relevant parties after examining whether there has been any misuse of government resources.
(iii) It was observed that based on the information submitted to the audit, although the Delikitwatta main road was intended to be corrugated and the drainage system was to be developed, the drains were cut and	-Do-	The formal action should be taken against the parties who acted against the objective.

leveled the road at an estimated cost of Rs. 500,000 on contrary to that.

(iv) 147 roads in the Divisional secretariat area were laid with concrete and from that, 94 roads were 5 inches high and the road was prepared using ABC (Aggregate Base Course) before lying concrete in the ratio of 1:2:4. The size of the ABC used for the road should have been determined by the nature of the road surface, but the same quantity of ABC and concrete had been added for 94 concreted roads and payments had been made on abnormal estimates.

-Do-

It should be identified the overpaid amount on abnormal estimates and recover it to the government and get appropriate action against the responsible parties.

(h) Divisional Secretariat – Ingiriya

Audit Observation

According to the sample test, chip stones were used to finish the first time of the 13 tarred roads with 2 liters of molten bitumen per 1 square meter and it was possible to pay Rs. 302 per square meter according to the approved prices. However, it was observed that the approved cost of estimation of applying sand instead of chip stones was Rs. 329 and an overpayment of Rs. 198,418 was made for 13 projects on that overestimation.

Comments of the Accounting Officer

The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.

Recommendation

A formal inspection should be carried out to recover the overpaid amount and take appropriate action against the responsible parties.

(i) **Divisional Secretariat – Bandaragama**

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(i) Due to the use of an inaccurate rate in the preparation of estimates for form works in the road construction industry, it was observed that the overpayment of Rs. 1,770,939 was made on the overestimations related to 13 projects.	The relevant Divisional Secretaries have been informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.	A formal inspection should be carried out to recover the overpaid amount and take appropriate action against the responsible parties.
(ii) Due to the incorrect rate per cubic meter used in estimating concrete for 16 projects which had been implemented after 01 September 2020, it was observed that the overpayment of Rs. 278,082 was made on the overestimations.	-Do-	-Do-
(iii) Although it was estimated at Rs. 6,000 each to obtain test reports to confirm the thickness of the concrete roads under the provisional Sum, it was observed that the approved price was Rs. 4,645 as per the approved price schedule documents and an additional estimate of Rs. 475,605 was made for 114 projects.	-Do-	-Do-

(j) **Divisional Secretariat – Beruwala**

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(i) In preparing the estimates, the officials did not have the date of	The relevant Divisional Secretaries have been	A formal inspection should be carried out to

preparation and the inspection was also not carried out by a Technical officer. Accordingly, 47 projects implemented after 01 September 2020, incurred an incorrect rate of 1:2:4 per cubic meter of concrete subject and it was observed due to that the total overestimation of Rs. 748,411 had been prepared.

informed to provide observations in this regard and it has been informed that they will reply after receiving the observations.

recover the overpaid amount and take appropriate action against the responsible parties.

- (ii) Officials had not taken action to include the listed price schedule and its code number based on it when entering the price rates relevant to the estimated work subject. Accordingly, the audit did not reveal the basis for Rs. 1,736.75 per cubic meter for excavation work on 80 projects in the estimation and applying price rates of Rs. 4,440 each to remove collected water in 26 projects.

-Do-

-Do-

3.3 Losses and Damages

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) No action had been taken to recover or remove the loss of Rs. 1,465,525 due to arson of the Dodangoda Divisional Secretariat in the year 1989 in accordance with the Financial Regulations until 31 December 2020.	It has been informed that the format under Financial Regulations 109 has been submitted to the Ministry of Home Affairs on 04 May 2021.	Should be acted in accordance with Financial Regulations and settled expeditiously.
(b) It was observed that the loss of Rs. 1,271,169 caused by an accident involving a vehicle belonging to the Mathugama	It has been informed that the loss has been removed from the books now.	-Do-

Divisional Secretariat in the year 2015 had not been settled till 31 December 2020.

- (c) During the Covid epidemic, only the difference between Samurdhi allowance and Rs. 5,000 had to be paid when paying the allowance of Rs. 5,000 for the month of May to Samurdhi recipient families as per the cabinet memorandum No.MF/NB/CM/91/2020/124/05 dated 12 May 2020 submitted by the Minister of Finance, Economic and Policy Development. However, the sample test revealed in Kaluthara, Beruwala and Panadura Divisional Secretariats had paid Rs. 57,595,640 more in May due to the payment of both allowances to 25,390 beneficiaries in May.
- It has been informed that action has been taken in accordance with the Samurdhi Development Circular No. DSD/HO/DG dated 10/05/2020.
- Should be act in accordance with the cabinet decisions.
- (d) It was observed that although an estimated Rs. 40,000 had been paid to the contractor to fix a permanent name plate for the project to repair the drainage system from Kuda Payagala Ambegema to the sea, a name plate had not been fixed.
- It is informed that the contractor has been informed to pay back the amount paid for the name plate to the government.
- The overpayment should be recovered and appropriate action should be taken against the responsible parties.

3.4 Failure to reply Audit Queries

Audit Observation	Comments of the Accounting Officer	Recommendation
13 Audit queries issued to the District Secretariat had not been answered as at 31 May 2021.	Due to the delay in obtaining explanations from the regional offices due to the Covid epidemic situation in the district, it has been informed that they will reply as soon as they are received.	The audit queries should be answered in a timely manner.

3.5 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the received provision of Rs. 1,363,413,225 from 2017 to 31 December 2020, Rs. 929,986,597 had been given to the beneficiaries as at 31 December 2020 for the construction of 879 houses on the concept of "Home to Home" in 13 Divisional secretariat areas in the Kaluthara District for families affected by natural disasters and identified by the National Buildings Research Organization as having to be removed due to high risk as the table given below. However, it was observed that only 606 of the targeted houses had been completed and the officials had failed to complete 273 houses by the beneficiaries.	Due to the delay in obtaining explanations from the regional offices due to the Covid epidemic situation in the district, it has been informed that they will reply as soon as they are received.	Resettlement of vulnerable persons in safe places should be expedited.

Type of benefit -----	Number of beneficiary families -----	Number of completed houses -----	Number of unfinished houses -----
i. Granting Rs. 1,200,000 for the construction of a house on a land provided by the government.	355	305	50
ii Granting Rs. 400,000 for the land purchased by the beneficiary and Rs. 1,200,000 for the construction of a house on that land.	267	128	139
iii. Granting Rs. 1,200,000 for the construction of a house in another protected place by the beneficiaries whose houses were damaged.	135	63	72
iv Granting Rs. 1,600,000 for the purchase of a land with a house.	122	110	12
Total	879	606	273

- (b) Arrears stamp duty on licenses AFL1, AFL2, AFL3 and AFL4 issued with foreign liquor licenses and bottle toddy licenses, if any, have arrears of stamp duty since the year 2006 and should be recovered and forwarded to the Commissioner General of Inland Revenue in accordance with stamp duty Circular No. SEC/2029/02 dated 14 May 2019 issued by the Commissioner General of Inland Revenue addressed to all District Secretaries and Divisional Secretaries. However, it was observed that 10 Divisional Secretariats had not taken steps to collect the outstanding stamp duty of Rs. 21,534,500 due to the issuance of liquor licenses from the licensees till 31 December 2020.
- Due to the delay in obtaining explanations from the regional offices due to the Covid epidemic situation in the district, it has been informed that they will reply as soon as they are received.
- The arrears of stamp duty should be recovered expeditiously and forwarded to the Commissioner General of Inland Revenue.

(c) The Divisional Secretariats of Mathugama, Beruwala and Madurawala had not submitted the information regarding the payments of pensions for the year under review until 10 May 2021. It was observed that out of the 11 Divisional Secretariats which submitted information, pensions were being paid to 70 pensioners in 4 Divisional Secretariats without a permanent or temporary pension file and a total of Rs. 12,252,253 had been paid in the year under review. Accordingly, the management had not taken action to introduce formal procedures to be followed to prevent errors, frauds or irregularities in the payment of pensions without permanent or temporary pension files.

-Do-

The Divisional Secretariats should be informed to provide information to the audit and a formal inspection should be carried out on the pensioners who do not have files and control measures should be introduced to prevent erroneous payments.

(d) It was observed that there have been instances where the issuance of applications, receipt and maintenance of documents in the sample audit test conducted in selected 4 divisions of 4 Divisional Secretariats in granting the allowance of Rs. 5,000 to low income families had not been carried out in a planned manner and there were instances where the list of beneficiaries was not approved by the Divisional Secretaries at the time of payment due to Covid epidemic in the year 2020.

-Do-

Benefits should be paid under a formal plan in accordance with the circulars, instructions and guidelines issued in relation to the provisions of benefits.

4. Achievement of the Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the District Secretariat had identified development activities under 17 objectives of the Sustainable Development Agenda 2030, it was observed that 14 Divisional Secretariats had not paid proper attention to the objectives and activities of the Sustainable Development Agenda in selecting development projects in the year under review.	It has been informed that many projects related to sustainable purposes are being carried out by the projects implemented by the Divisional Secretariats.	Action should be taken in accordance with the 2030 Sustainable Development Agenda.

5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The Human Resource Plan prepared for the District Secretariat for the year 2020 as per Annexure 2 of Public Administration Circular No. 02/2018 dated 24 January 2018 was not submitted for audit.	It was reported that action will be taken in accordance with the circular.	Should be complied with the circular provisions.
(b) Although a training plan has been prepared for the year under review, it has not been prepared in accordance with the provisions mentioned in the above circular and the audit did not observe that annual performance agreements had been signed for the entire staff as per the circular.	-Do-	-Do-