

Head 263 - District Secretariat, Hambantota

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Hambantota for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the District Secretariat, Hambantota was issued to the Accounting Officer on 17 May 2022 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 May 2022 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 District Secretariat, Hambantota as at 31 December 2021, 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 the Financial statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
The Rates of Rs. 592,181 paid under the Object of lease rent and local authority tax of Project No.1 for the year 2022 have been stated as an expenditure of the year under review in the statement of financial performance.	Since a discount can be obtained if the payments are made for the bills before 31 January, the total bills for the year 2021 and a part of the bills for the year 2022 have been paid by obtaining provisions of Rs. 1,119,500 through Financial Regulation 66.	Only the expenditure pertaining to the year under review should be identified and brought to account.

(b) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
i. Although the value of property, plant and equipment was Rs. 5,761,799,147 according to the departmental books (CIGAS Programme), that value was Rs. 5,761,155,643 as per the statement of financial position as at that date. Accordingly, that value had been understated by Rs. 643,504 in the statement of financial position.	This is a value added to the equipment by the Hambantota Divisional Secretariat in December 2021. Due to the process of the CIGAS system, this value has been twice added to the equipment.	Data should be properly entered in the accounting system.
ii. Instead of the Statement of Non-financial Assets generated through the new CIGAS web application to be attached for Form A.C.A 06	It has been submitted according to the instructions in Circular No.2021/03 dated 26 November 2021 of the	The Statement of Non-financial Assets generated through the CIGAZ web application should be

in the State Accounts Director General of State submitted.
 Guidelines 2021/03 dated 26 Accounts.
 November 2021, the
 Treasury printouts SA 82 had
 been submitted.

2. Financial Review

2.1 Imprest Management

Audit Observation

Comment of the Recommendation Accounting Officer

Although the receipts and payments of imprests in the Imprest Account bearing No. 7002-0-0-310-0-21-0 were Rs. 4,820,762,447 according to the departmental books, it was Rs. 4,903,492,447 as per the Treasury books. Accordingly, a difference of Rs. 82,730,000 was observed.

It is informed that this result is due to a transaction carried out by the General Treasury in February 2021 and there is no impact on the accounting activities.

Departmental books and Treasury books should be correctly reconciled.

2.2 Expenditure Management

Audit Observation

Comment of the Accounting Recommendation Officer

(a) Provisions ranging from 100 per cent to 20 per cent had been saved in 10 Objects.

Due to not arising expenditure relating to the provision, the closure of the office for a considerable period due to the Covid epidemic, and sluggishness of the activities, review of the expenditure according to the Cabinet decision have attributed to this situation.

Only a sufficient amount of provisions should be made in keeping with the requirement.

- (b) As adequate provisions had not been made by the Annual Estimate for 02 Objects, provisions ranging from 34 per cent to 1493 per cent of the estimated provision had been transferred by Financial Regulations 66. Lack of estimated provisions. A communication allowance was approved for the Grama Niladharees and the Technical Officers. Adequate amount of provisions should be made in keeping with the requirement.
- (c) The revision of provisions amounting to Rs. 522,500,000 obtained from supplementary estimates for 03 Objects made by Form ACA 2 (III) had not been disclosed together with the relevant reasons. These are not the Objects which had been made annual provisions by the annual budget estimate and the provisions had been made by the supplementary estimate. This should be disclosed together with the reasons for making revision.

2.3 Liability Obligations

Audit Observation

Without being complied with the F.R.94 (1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, liabilities worth Rs. 77,715 had been incurred in excess of the savings of 02 Objects.

Comment of the Accounting Officer

The liabilities so mentioned are necessary monthly expenses, and since the provisions of the year 2021 are not sufficient and there are no imprests, it is a liability to be paid in the ensuing year.

Recommendation

Adequate amount of provisions should be made in keeping with the requirement.

2.4 Utilization of Provisions made by Other Ministries and Departments

Audit Observation

Out of the provisions of Rs. 4,479,634,787 made by other ministries, departments and officers for various purposes, sums totaling Rs. 153,621,768 had been saved by the end of the year under review.

Comment of the Accounting Officer

Provisions have been saved due to Covid epidemic situation.

Recommendation

Action should be taken to utilize all the provisions made efficiently and effectively.

2.5 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Accounting Officer	Recommendation
(a)			
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. Financial Regulation 237	In the payment of Rs.17,595,000 to the suppliers for 1764 bags of goods for the quarantined families, the Suriyawewa Divisional Secretariat had made that payment without obtaining certificates to the effect that the goods were received by the government.	As these activities were done by a limited number of officers due to the Corona epidemic, it was not possible to carry out the activities in a formal manner.	Action should be taken in accordance with the Financial Regulations.
ii. Financial Regulation 767(1)	One hundred and ninety one units of 5 types of aid equipment given to the Lunugamwehera Divisional Secretariat by the Ministry of Disaster Management in the year 2013 had been retained in the stores.	It is informed that disaster has not so far occurred and that action will be taken to give these goods to another entity that needs such goods.	- Do -
(b) Letter No. HAF-3-ADMIN-02-002 dated 05 July 2013 of the Secretary to the Ministry of Public Administration and Home Affairs	The Grama Niladharees of 06 Divisions of Ambalantota Divisional Secretariat had not submitted reports on unauthorized encroachment of land and construction for the year under review.	Due to the corona epidemic that prevailed in the country and the abundance of duties, it was not possible to provide these reports as scheduled.	Action should be taken in accordance with the circular.

2.6 Transactions of Fraudulent Nature

Audit Observation

Comment of the Accounting Officer

Recommendation

Information was furnished to the effect that Rs. 510,000 worth of goods had been distributed to 51 family units that were not quarantined contrary to the instructions of the Circular No. PIF/03/2020(VI) dated 02 November 2020 and No. PTF/03/2020(VII) dated 30 November 2020 of the Secretary to the Prime Minister and No. PTF/01/CIR-Progress/01 dated 18 May 2021 of the Additional Secretary to the Prime Minister. Further, information was not submitted to the audit that these goods were received from the supplier by the Divisional Secretariat and that the goods were distributed to the family units included in the details furnished.

It is informed that the details for 51 families have not been included in the documents sent by the Office of the Medical Officer of Health.

Overpayments made contrary to the circular instructions should be recovered.

2.7 Issuance and Settlement of Advances

Audit Observation

Comment of the Accounting Officer

Recommendation

Action in terms of the provisions of Establishments Code had not been taken on Rs.719,018, Rs.314,515 and Rs.178,298 respectively due from 04 officers who had been suspended, 03 officers who had vacated the service and 2 officers who had died.

Action will be taken to recover the loan balance of Rs.177,772 in installments, take legal action to recover the value of two loan balances of Rs.357,885, recover the balance of Rs.138,371 by informing the guarantors, and to recover the balance of the deceased amounting to Rs.126,325 from the gratuity.

Action should be taken to recover the loan balances due to the Government.

2.8 Deposit Balances

Audit Observation

Comment of the Accounting Officer

Recommendation

Steps had not been taken in terms of Financial Regulation 571 with respect to 154 deposits totaling Rs. 13,978,130 related to a period between 02 and 04 years, and 05 deposits totaling Rs. 645,649 that remained for more than 10 years.

It is informed that although all these deposits could have been paid to the payee, payments could not be made due to not receiving the imprests.

Action should be taken to make payments by properly obtaining imprests.

03. Operating Review

3.1 Failure to achieve expected output level

Audit Observation

Comment of the Accounting Officer

Recommendation

(a) Construction of roads laid with paving blocks

I. Edged cutting had not been properly carried out on 163 roads laid with paving blocks in 09 divisional secretariats, whereas sums totaling Rs. 5,156,984 had been paid to the contractors for that purpose.

Failure to prepare price analysis properly in the preparation of estimates had attributed to this shortcoming.

Payments should be made once the works done are duly confirmed.

II. According to the approved estimate, although the road base should be laid with ABC at 100mm density, it had been laid at 90mm density. Accordingly, a sum of Rs. 4,112,657 had been paid to the contractors by preparing plans for the roads that had not been constructed in the prescribed standard in 07 divisional secretariats.

The combination of the ABC and quarry dust is at the required density and it is not an issue with the prescribed standard of the road.

Action should be taken in accordance with the estimates.

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| <p>III. Since the necessary approval had been granted under the Hundred Thousand Kilometers Project for carpeting 05 roads completed under this project in 03 divisional secretariats, expenditure of Rs. 3,464,998 had become fruitless.</p> | <p>Out of 31 roads inspected by the audit from the roads developed in the year 2016, three roads had been carpeted by another public institution despite their condition fit for vehicle transportation.</p> | <p>Legal action should be taken against the persons who should be responsible for recommending the re-development of the roads that had already been carpeted and remained a suitable condition.</p> |
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3.2 Procurements

Audit Observation

Comment of the Accounting Officer

Recommendation

In calling for bids for the construction of the wastewater drainage system of the Angunukolapelassa town, the bidders had been given only a period of 04 working days to submit their bids although a period of 03 months should be given for that purpose. Further, as per the bid documents, the minimum qualification of the eligible contractor should be registered in Category C7 of the Construction Industry Development Authority. Nevertheless, bids had been invited from 02 institutions that had not met the said qualification.

As the constructions were to be completed expeditiously, action was taken to inform via telephone calls in addition to the documents for calling for bids, and bids have been called for from the institutions of which information had not been mentioned on the registration with the Construction Industry Development Authority.

According to the Procurement Guidelines, a sufficient period of time should be given for calling for bids and bids should be obtained from qualified contractors.

3.3 Assets Management

Audit Observation

Comment of the Accounting Officer

Recommendation

Although requests have been made that the two motor bicycles provided to the divisional secretariat by the Tsunami Reconstruction Unit under the National Housing Development Authority be handed over on 27 June 2017, those had not been handed over. The relevant motor bicycles had been parked in the divisional secretariat even by the end of the year under review without being used.

Necessary arrangements are being made to hand over the motor bicycles to the Housing Development Authority.

Action should be taken to hand over the relevant assets to the relevant institution without delay.

3.4 Losses and Damages

Audit Observation

a) No action had been taken either to recover or write off the losses and damages of Rs. 1,266,193 related to 22 cases that occurred during the period from 1987 to 2021 even by the end of the year under review.

b) Five cases of losses and waivers amounting to Rs. 80,664 stated in the record of losses and damages had not been presented under Statement of Losses and Waivers Note-(I)

Comment of the Accounting Officer

Measures are being taken in this connection.

It is informed that although approval has been received to write off 02 cases, those have not been eliminated from the record and as files could not be ascertained for another 02 cases, further action thereon will be taken in the future.

Recommendation

Action should be taken expeditiously regarding the losses and damages.

Details should be correctly reported.

3.5 Uneconomic Transactions

Audit Observation

No conditions for the price variations had been included in the agreement relating to the construction of the remaining part of the drainage system on the Second Lane of Belgium Housing implemented in the jurisdiction of the Hambantotta Divisional Secretariat and without obtaining proper authority for that purpose, an additional sum of Rs. 568,413 had been paid to the contractor as price variation.

Comment of the Accounting Officer

Payments have been made as per proposal 3.2 of the memorandum in accordance with Cabinet decision No. අමප/21/2084/306/094 dated 06.12.2021.

Recommendation

Since the work has been completed 47 days prior to the date of the Cabinet decision and the period of the agreement is less than 03 months, overpayments should be recovered.

3.6 Management Weaknesses

----- Audit Observation -----	----- Comment of the Accounting Officer -----	----- Recommendation -----
<p>a) Without being complied with Paragraph 7 (II) of Guideline 2021/1 of the Saubhagya Production Villages Programme implemented under the State Ministry of Samurdhi, Home Economic, Micro Finance, Self-employment and Business Development in the Tangalle Divisional Secretariat, materials worth totaling Rs. 5,000,000 at Rs.100,000 each had been provided for 50 beneficiaries who had not followed the technical criteria in the preparation of kilns for Maldives fish production.</p>	<p>The beneficiaries opposed preparing kilns according to the design and action has been taken according to their request to provide materials.</p>	<p>Action should be taken in accordance with Paragraph 7 (II) of Guideline 2021/1.</p>
<p>b) Although eviction orders had been issued by the court in respect of 06 cases of unauthorized encroachment of government lands by external parties in the jurisdiction of Lunugamwehera Divisional Secretariat, relevant lands had not been taken over by the government even at the end of the year under review. Further, no action had been taken on 03 cases regarding which the court had rejected the issuance of eviction orders and had informed to file cases once again.</p>	<p>By the letter issued in January 2022, action has been taken to inform the Grama Niladharees regarding the unauthorized encroachment and update the matter.</p>	<p>Action should be taken according to the court order without delay.</p>
<p>c) According to the eviction order (Form "A") issued by the Divisional Secretary, Ambalantota for 05 unauthorized occupants in Miniethiliya Grama Niladharee Division, the relevant unauthorized occupants had not vacated the lands and the request (Form "B") for the eviction order in terms of provisions of the Land Ordinance had not been submitted to the court even by the end of the year under review.</p>	<p>It has not been possible to discharge the duties in most public institutions due to the Corona situation.</p>	<p>Action should be taken in accordance with relevant laws and regulations.</p>

- d) Due to the delay in the payment of the statutory value of Rs. 1,887,000 for Lot No.D-7377-A taken over by the government on 27 August 2013 for Sooriyawewa Miriggawila road project, an additional amount of Rs. 1,102,197 was required to be paid as the interest by the end of the year under review.
- It is informed that being a complicated process that involves a number of institutions, these types of delays occur.
- Action should be taken to make payments without delay under a proper coordination.
- e) The Tissamaharama Divisional Secretariat had not recover arrears of annual tax and fines of Rs. 719,154 from 337 annual lease from the year 2010 to 2021.
- Out of the annual tax and fines, a sum of Rs. 85,622 has been recovered by 20.01.2022 and action has been taken to cancel the permits used by other persons.
- Action should be taken to recover the arrears of annual tax and fines without delay.
- f) The following matters were observed on the Mining Licence No. IML/A/HO/N/4314/LR/9 issued by the Geological Survey and Mines Bureau.
- i. Without being complied with Section 08 of Chapter II of the Government Lands Code, Section 180 of the Land Orders (Recovery of Possession) Act No. 07 of 1979 and Section 2.2 of the Presidential Secretary's Circular No. SP/RD/02/10 dated 03 February 2010 on Government Land Management, the Suriyawewa and Ambalantota Divisional Secretariats had taken steps to make necessary recommendations to issue a mining licence.
- On the instructions of the Land Commissioner, the Government Surveyor has confirmed that the above land is Government land. Accordingly, the Ambalantota Divisional Secretary suspended the licence, and instructions have been given the by Land Commissioner General's letter dated 22.03.2021 to issue the annual licence and to recover the tax from the initial year.
- Action should be taken in accordance with the Circular.
- ii. In terms of section 196.1(vi) of the Government Lands Ordinance and the valuation report of the Senior Valuer No. HT/ML/3485 and dated 19 January 2022, annual tax income totaling Rs.3,280,000 had not been recovered for 120 months from the year 2011 up to the year under
- According to the approval of the Land Commissioner General, tax has been collected in accordance with the valuation report obtained from the Chief Valuer in the year 2011.
- Action should be taken in accordance with the Government Lands Ordinance and the valuation report of the Senior Valuer No. HT/KL/3485 and dated 19 January 2022.

review. However, it was observed that if the annual undeveloped value of the land had been obtained year by year from the year 2011 to the year under review, the annual rent income that would be lost would further increase.

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| iii. | According to the records of the mining licensee, the total quantity of granite cubes quarried was 173,586.2 cubes and the total amount of government charges of Rs. 173,586,200 to be recovered from the licensee under the Forest Ordinance had not been recovered. However, it was observed that an expert report should be obtained to identify the total quantity of granite cubes quarried by the licensee, and accordingly, the amount of government charges to be further recovered should be identified. | After this land was identified as government land, action is being taken in accordance with the relevant valuation. According to the valuation report obtained from the Chief Valuer in the year 2011 on the approval of the Commissioner General of Lands, the tax has been collected so far. | Action should be taken in accordance with Paragraph 10(1) of the Extraordinary Gazette Notification No. 1600/18 dated 06 May 2009 issued under the Forest Ordinance. |
| iv. | Without being complied with the conditions of the mining licence issued by the Geological Survey and Mines Bureau, the Hambantota District Secretariat had irregularly issued 27,100 electric detonators since 2011 under explosives permit | An answer related to the observation has not been given. | Action should be taken in accordance with the conditions specified in the mining licence issued under the Geological Survey and Mines Bureau. |

4. Good Governance

Audit Observation

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- (a) In the distribution of goods valued at Rs.17,595,000 among the quarantined families by the Suriyawewa Divisional Secretariat, a register had not been maintained consisting of the details related to the release of the

Comment of the Accounting Officer

It has been confirmed by the phone that the relevant beneficiaries have received the goods.

Recommendation

Formal records should be maintained relating to the acceptance and distribution of purchased goods.

relevant goods to the eligible beneficiaries. Further, the relevant information that the relevant goods were distributed to the beneficiaries and received by the beneficiaries was not submitted to the audit.

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| <p>(b) Without being complied with the instructions in the circular No. PIF/03-2021(III) dated 24 August 2021 of the Additional Secretary to the Prime Minister, the Suriyawewa Divisional Secretariat had distributed 320 bags of goods worth Rs. 3,200,000 to be distributed to low income families had been distributed to the families who have not been confirmed as low income earners.</p> | <p>The information about the beneficiaries had not been verified by the Grama Niladharee and it has been later corrected.</p> | <p>Action should be taken in accordance with the circular No. PIF/03-2021(III) dated 24 August 2021 of the Additional Secretary to the Prime Minister.</p> |
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05. Human Resource Management

Audit Observation

Comment of the Accounting Officer

Recommendation

Action had not been taken to fill 158 vacancies of the staff by the end of the year under review, and 107 additional officers had been employed without proper approval.

Vacancies have been reported to the Ministry and the reason for the excess is due to recruitment and attachment of Development Officer exceeding the approved cadre.

Action should be taken to fill the vacancies of the staff and to get approval for the additional staff.