

Head 275 – District Secretariat Polonnaruwa

1 Financial Statements

1.1 Opinion

The audit of the financial statements of the District Secretariat Polonnaruwa for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 which was included my views and observations on the financial statements of the District Secretariat Polonnaruwa were issued to the Accounting Officer on 08 May 2023 in terms of Section 11 (1) of the National Audit Act. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 08 May 2023 in terms of Section 11 (2) of the National Audit Act. This report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018 will be tabled in Parliament.

In my opinion, the financial statements of the District Secretariat Polonnaruwa give a true and fair view of the financial position as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Accounting Officer for the Financial Statements

The Accounting Officer are 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 judgment 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 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 I had made regarding the financial statements related to the previous year had been implemented.

2. Financial review

2.1 Revenue Management

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the Extraordinary Gazette No.1600/18 dated 06 May 2009 and No.2216/34 dated 25 February 2021, the amount to be charged as fees for collecting minerals in State lands from the year 2017 to the year 2021 was Rs.139,553,409.	Advice has been sought from the Attorney General's Department in this regard.	It should be act as per the Extraordinary Gazette No.1600/18 dated 06 May 2009 and No.2216/34 dated 25 February 2021.

2.2 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.

Reference to Laws, Rules and Regulations	Observation		Comment of the Accounting Officer	Recommendation
	Value Rs.	Non-compliance		
(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka Paragraphs 4.4, 4.5 and 4.6 of Chapter XXIV	2,103,613	The total amount of outstanding loan balance at the end of the year under review from 11 officers who left the service, retired, deceased and suspended was Rs.2,103,613. It had not been dealt with those loan balances as per the Establishment Code.	It has been informed that recovery is being done.	It should be act as per the provisions of the Establishment Code.

(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.570 and 571	308,795,923	The balance of General deposits that exceeded the period of 02 years which was not dealt with according to the Financial Regulations was Rs.308,795,923 at the end of the year under review and the deposits amounting to Rs.44,377,180 in that were the balances of more than 05 years.	Arrangements will be made for proper settlement and collection to the State Revenue.	It should be act as per the Financial Regulation 570 and 571.
(c)	Circular No.01/2021 of the Ministry of Environment dated 02 January 2021	-	The Divisional Secretariats and District Secretariats had not hold rural environment committees and regional committees in the year under review as per the Circular.	The Dimbulagala, Welikanda and Tamankaduwa Divisional Secretariats have informed that rural and regional environmental committees have been established and actively maintained in each GramaNiladhari domain.	Arrangements should be made to maintain rural environment committees and regional committees.

2.3 Fraudulent transactions

Details of the fraudulent transactions observed during the sample audit are shown below.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although it was revealed that 05 officers belonging to Elahera Samurdhi Bank had misappropriated money and committed an offense included in the First Schedule of the Establishment Code in the year 2019, disciplinary action had not been taken in this regard and the amount to be recovered from one officer was Rs.405,518.	It has been informed that the Director of District Samurdhi has been informed to carry out the necessary actions to recover the amount to be recovered from the officer.	Disciplinary action should be taken according to the provisions of the Establishment Code regarding the officials who have committed related financial frauds and recovery of related money.

- (b) Although the amount was collected from the officer related to the financial irregularity of Rs.2,443,600 in the payment of elderly allowance and kidney allowance between 11 June 2018 and May 2021 in Dimbulagala Divisional Secretariat, although it had been committed an offense under the First Schedule of Chapter XLVIII of Section II of the Establishment Code, related disciplinary investigation reports were not submitted.
- Referred to disciplinary authorities.
- A formal disciplinary inquiry should be conducted as per the provisions of the Establishment Code.

3. Operational review

3.1 Non-achievement of expected Output Level

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although the district secretariat allocated a provisions of Rs.5,911,185 for the construction of the swimming pool of Ananda Girls' National School under Phase 02 of the Pibidemu Polonnaruwa District Development Program for the construction of basic infrastructure, Rs.1,677,756 works had been done outside of the initial estimate and only a part of work included in the estimate worth Rs.644,338 had been done.	Bills have not been paid due to lack of provision, and no future payments will be made for this project.	A prior approval must be obtained for the work performed outside the initial estimate, and it should be implemented in a manner that fulfills the basic objectives of the project.
(b) Since 18,141 chicks i.e. 79 percent out of the 22,980 chicks given to 42 GramaNiladhari domains in 04 Divisional Secretariat Divisions under the Rural Livelihood Development Program - 2021 have died, the amount of Rs.7,357,027 spent for that had become useless.	The Criminal Investigation Department has been informed to conduct a formal investigation.	A formal investigation should be carried out to check whether any irregularity has occurred and to prevent it from happening again.

3.2 Projects abandoned without completing

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The project of construction of the road from Vijayapura Kade at Parana Pola junction to F C canal with a contracted cost of Rs.1,970,000 belonging to Dimbulagala Divisional Secretariat area was supposed to be completed by 28 December 2021, by the end of the year under review, the project has been abandoned without completing the works amounting to Rs.1,470,209.	Since the contracted organization has neglected to complete the future work, that organization will be blacklisted and this road is planned to be completed in the future based on the provisions of the Dimbulagala Pradeshiya Sabha.	It should be dealt with legally regarding the defaulting contractor and the remaining works of the project should be completed.
(b) Under the Rural Roads Development Program - 2021 implemented by the State Ministry of Rural Roads and other Infrastructure, although 06 projects which has prepared estimates of Rs.11,000,000 for the development of inter-connected stone pavements by the Divisional Secretariat Dimbulagala was supposed to be completed by 28 December 2021 as per the agreement, the project had been abandoned without completing the works of Rs.10,420,082.	This has resulted in revision of estimates several times and increase in the price of construction materials.	It should be dealt with legally regarding the defaulting contractor and the remaining works of the project should be completed.
(c) Although Rs.4,105,000 has been spent on the Vijayarajawewa Reed related production village project in Higurakgoda Divisional Secretariat area in the year 2021, the purposeful project had not been implemented.	The project has not been implemented due to lack of electricity and water.	A feasibility study should be done and the projects should be commenced in agreement with the concerned parties.

3.3 Delays in the Execution of Projects

Audit Observation	Comment of the Accounting Officer	Recommendation
The second phase of the construction of the administrative building of the District Secretariat has been given to the first contractor citing the fact that, the time of completion of the work and the reduction of the initial cost were to be minimized. Nevertheless, although the second phase which was the contracted cost is Rs.952,900,012 should be completed by 31 May 2019, the relevant works had not been completed by the end of the year under review even almost 04 years had been passed.	This has been caused by the pandemic situation and the bad financial situation that the country faced.	Action should be taken against the defaulting parties and the project should be completed promptly.

3.4 Management Weaknesses

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) 11 societies in the first phase of the Grama Shakthi People's movement implemented in Polonnaruwa district and 45 societies in the second phase are inactive and total of Rs.14,685,474 given to those societies was uselessly in the respective bank accounts.	Arrangements have been made to taken over the amount in the accounts to the Divisional Secretary or to utilize the funds of the societies which can be brought to an active level.	Efforts should be made to maintain societies at operational level and funds should be used efficiently.
(b) Information has been reported that 49 out of 74 Gamidiriya People's companies in 04 Divisional Secretariat areas were inactive and Rs.24,728,866 was uselessly in the bank accounts belonging to those companies.	It has been informed that arrangements are being made to transfer the funds of inactive societies to active societies.	Actions should be made to maintain the societies at the operational level, and a data system containing the necessary information should be maintained up-to-date.

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| (c) | It was observed that the amount of rice stock that was not given to the government for the paddy obtained by the rice mill owners for the 2019/20 Maha, 2020 Yala, 2020/21 Maha, 2021 Yala season through the Divisional Secretariat was 3,774,827kg according to the submitted reports and the outstanding amount to be charged for that was Rs.263,863,180. | It has been informed that arrears are being collected. | Arrangements should be made to obtain the stocks of rice due to the government. |
| (d) | Without mentioning the reasons for changing the design of Phase III of the construction project of the administrative building of the District Secretariat, additional work of Rs.7,755,930 had been done on the request of the District Secretariat. | The consulting firm had informed that, no reasons have been given for the change in plan. | Plan revisions should be made on reasonable reasons. |
| (e) | 17 quarters which the National Housing Development Authority has given to the Polonnaruwa District Secretary and Divisional Secretariat on "Kuli Sinna" basis in 1983 had been given to the District Secretary/Divisional Secretary on the basis of forfeited after paying the capital value of those quarters in 60 years. Although the 07 houses which provided accordingly(according to the information obtained from the Housing Development Authority) has paid the rent exceeding the assessed value of Rs.215,226 by June 2021, the district secretary had not taken over the said house until the end of the year under review. | It has been included in the agenda of the Conference of Governors to discuss the related issue. | Actions should be taken to recover the overpaid amount to the Housing Development Authority and take over the ownership of the houses. |

4. Human Resource Management

Audit Observation

There were 12 tertiary level vacancies, 147 secondary level vacancies and 06 primary level vacancies in District Secretariat and Divisional Secretariat at the end of the year under review.

Comment of the Recommendation Accounting Officer

Reporting has been made to Ministry of Home Affairs and Department of Management Services.

Arrangements should be made to fill up the relevant vacancies as appropriate.