

Head 263 - District Secretariat - Hambantota

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Head 263 - District Secretariat – Hambantota for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 14 May 2024 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 - Hambantota was issued to the Accounting Officer on 15 May 2024 in terms of Section 11(2) of the Audit Act. 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 2023, 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 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-Hambantota 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 – Hambantota 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 made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-revenue Receipts

Audit Observation	Comments of the Accounting Officer	Recommendation
The collected revenue of Rs.75,669 to be remitted to the Treasury involved in the robbery of Rs.1,919,028 at the Ambalantota Divisional Secretariat had not been accounted.	Action will be taken to account in 2024.	Balances should be accounted as correct values are appeared.

(b) Recurrent Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) According to the Financial Regulation 8(4) (i) of the Democratic Socialist Republic of Sri Lanka, expenditure objects have been grouped and standardized as capital expenditure and recurring expenditure and those should not be changed. Without paying attention to it, Rs.235,485 had been accounted changing expenditure objects by District Secretariat on seven occasions.	Action will be taken to prepare estimates in the future based on the indicated expenditure object.	It should be accounted as the way of grouped and standardized of expenditure.

- (ii) Rs.335,000 out of total payment of Rs.1,072,000 on three occasions for the repair of chairs in the conference hall of the District Secretariat was accounted under the expenditure object of other expenses (supplies) and Rs.737,000 had been accounted under the expenditure object of other expenses (services). That the estimates will be prepared by the indicated expenditure object in the preparation of future estimates. - do -

**(c) Capital Expenditure
Audit Observation**

Comments of the Accounting Officer

Recommendation

The total expenditure of Rs.4,143,000 incurred for the capital nature repair of air conditioners in the District Secretariat premises in the year under review had been accounted as revenue expenditure rather than accounting under capital expenditure.

Action will be taken to prepare estimates based on the indicated expenditure object in the future.

It should be accounted as the way of grouped and standardized of expenditure.

**(d) Property Plant and Equipment
Audit Observation**

Comments of the Accounting Officer

Recommendation

- (i) Rs.24,223,031 which was the value of 03 buildings not belonging to the District Secretariat was included in the value of non-financial asset as at 31 December 2023.

That the action has been taken to remove from the CIGAS system and non-financial assets.

Assets should be accounted in a manner that the correct value is disclosed.

- (ii) According to the Asset Management Circular No.01/2017 dated 28 June 2017 of Secretary to Treasury, although all non-financial assets of the Government should be documented, the values of the Nila Sevana buildings constructed by the Okewela Divisional Secretariat at a cost of Rs.3,492,009, values of a motorcycle owned by the Sooriyawewa Divisional Secretariat and buildings and 50 lands maintaining under the Ambalantota, Sooriyawewa and Beliatta Divisional Secretariats had not been assessed and accounted.

The relevant officers have been informed and that they will be accounted after obtaining the assessment values and that the value of the motorcycle has been included in the CIGAS program.

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(e) Lack of Audit Evidence

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) The relevant cost/valuation reports were not submitted to the audit to confirm the land and building values of 02 Divisional Secretariats with a total value of Rs.157,958,957 included in the CIGAS system as non-financial assets.	It will be submitted to the audit after verification of the valuation information.	Source documents based on accounting of the value of the assets should be submitted.
(ii) The list of approved beneficiaries selected, agreements relating to Rs.2,267,791 paid for the supply of animals and signature documents of the beneficiaries for the Domestic Goat Breeding Project to improve the livelihood of the people living in rural areas of Hambantota district under the provision of Rs.17,910,000 of the Ministry of Agriculture were not submitted for audit.	Answers to the observations will be submitted to the Audit through the Secretary of the Ministry of Agriculture.	Action should be taken to produce relevant audit evidence.

2. Financial Review**2.1 Expenditure Management**

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The 05 projects completed by Sooriyawewa Divisional Secretariat in the year 2022 has not been identified as liabilities in that year and in contrast to F.R.66 and F.R.217, Rs.1,098,486 had been paid by transferring to other capital expenses expenditure object which were not provisioned from the annual budget estimates from the expenditure object of acquiring capital assets machines and machinery expenses through a transfer letter.	When contacted by the Office of the Director General of Budget in this regard, it was verbally instructed to transfer the provisions through a provision existing expenditure head according to F.R. 66. That the transferring has been made on the basis of that approval.	Financial Regulation 217 and Financial Regulation 66 should be followed.

- (b) As per paragraph 4.2 of the Circular No.DFD/2023-1 dated 09 February 2023 of the Secretary to Treasury, Rs.1,021,180 which was not the operational expenses of paddy purchasing had been spent under the operational expenses of paddy purchasing. That the necessary equipment for the essential maintenance of the administrative complex has been purchased and worked in favor to the government. Provision should be used only for the works which allocated the provisions.

2.2 Incurring of Liabilities and Commitments

Audit Observation

The final bill of Rs.13,828,552 for the construction of the new Divisional Secretariat building at Lunugamwehera as on 31 December of the year under review was not included in the financial statements as the amount had not been paid until 03 April 2024 i.e. the date of audit.

Comments of the Accounting Officer

Although the final bill of Rs.13,828,552 was submitted by the contractor to the District Engineer (Building) on 31.12.2023 since it was not submitted to the Accounts Division, that it was not included in the liabilities.

Liabilities should be correctly identified and included in financial statements.

2.3 Utilization of Provisions made available by other Ministries and Departments

Audit Observation

- (a) A payment report of Rs.4,255,852 was prepared for the renovation of the Hambantota Circuit Bungalow under the provisions of the Ministry of Public Administration and Home Affairs and the payment was made by keeping a 50 percent retention of the bill amount in contradictory to the provisions of F.R.137,138, 139, 237(a)(i) and 215(3)(a). A late fee of Rs.89,154 was to be charged for 53 days of the delay period.

Comments of the Accounting Officer

Due to the shortcomings in the works carried out by the contractor and the difficulty in obtaining money for the indiscernible as the end of the year, the bills have been checked and recommended for payment. Since the work had been completed to the completion substantially level, that it was recommended to retain a part of the final bill and pay only the remaining amount.

According to the provisions mentioned in the Financial Regulations, the payment should be approved and made after confirming that the construction work has been carried out. Late fee should be charged.

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| (b) | Tangalle Divisional Secretariat had paid an additional Rs.107,374 due to not using the correct rates for the project to develop the playground and protective fence at the Tangalle Municipal Council Ground on the provision of the State Ministry of Rural And School Sports Infrastructure Improvement in the year 2021. Although Rs.211,144 was spent on the power system, it was not in working condition as of 05 March 2024. The 04 bulbs worth Rs.36,020 had not been available in the stadium. | That the Tangalle Municipal Council has prepared the estimates, supervision and submission of payment bills of the project and that it has been submitted to the Municipal Council to submit answers for this. | Estimates and payment reports should be prepared correctly and additional payments should be recovered. Objectives of the project should be fulfilled. |
| (c) | The Divisional Secretariat of Lunugamwehera had paid an additional Rs.237,089 for the construction of the fence around the land where the Hambantota Officers Rest House is located on the provision of the Department of Immigration and Emigration for the year 2022. | Manual rates have been used since the difficulty of using machines and the risk of cost increase due to the fuel crisis in the country, and as it may take more time when using machines as the plots had previously been prepared in land and cultivated. | Additional payments should be recovered. |
| (d) | Despite 25 percent of the interlocks tested in the two road development projects implemented by the Divisional Secretariat of Walasmulla under the Saubhagya Production Villages Programme 2021 was failed, a total amount of Rs.724,503 for the laying of interlocks on those two roads had been paid. | That the payments were made to the projects as per the instructions given by the District Secretariat. | Payments should be made after checking that the tasks have been completed. |

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.

Observation	Reference to Laws, Rules and Regulations	Value Rs.	Non- compliance	Comments of the Accounting Officer	Recommendation
(a)	Establishment Code of the Democratic Socialist Republic of Sri Lanka				
	Section 5 of Chapter XIX	299,408	A total of Rs.299,408 of house rent was to be charged for 02 government houses belonging to the District Secretariat and Tissamaharama Divisional Secretariat.	That the actions are underway to recover.	House rent should be charged as per the provisions.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	F.R. 137(5) and 237(b)	54,738,096	Contrary to the provisions of the referenced regulations, it was observed that the total supplies of Rs.14,637,900 were made on 24 January 2024 by approving and certifying payments for the Pilot Project of Youth Agro-Entrepreneurship Villages and Food Security and Technology Projects	That the cheques have been released after the supply of stock and minor defects in the scattered water supply systems will be fixed and the cheques will be released.	Action should be taken in accordance with the provisions.

and the total supplies of Rs.40,100,196 was not made until 28 March 2024.

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| (ii) | F. R. 215(3)(a) | 437,886 | <p>Although a part of the cash provision should not be credited to the deposit account for approximate payments, the District Secretariat had withheld 15 percent or Rs.437,886 for the failure quantity of the concrete test reports of the " Culvert Construction to the Madakanda Doledeniya Canal Project" carried out in the year 2023.</p> | <p>Due to the failure of concrete test reports on the road section, the amount for the failed section was withheld with the recommendation of the District Engineer until it was corrected again.</p> | <p>Money should not be credited to the deposit account for approximate payments.</p> |
| (iii) | F.R. 315 | 1,937,656 | <p>A robbery at the Ambalantota Divisional Secretariat due to non-compliance with the provisions of the referred regulation had resulted in a financial loss of Rs.1,937,656.</p> | <p>Training and instructions have been given regarding the application of secret number in the safe, and the duties have been given by correcting the shortcomings. Instructions have been issued to proceed in accordance with financial regulations in future.</p> | <p>Actions should be taken to ensure the security of the assets.</p> |

- (c) Paragraph 4.2(ii) of the Public Administration Circular No.04/2022 dated 08 March 2022 624,192
- Although it has been stated that, giving additional fuel beyond the monthly amount of fuel allow for government officers who owning official vehicles should be temporarily suspended, without complying with it, total of Rs.624,192 had been paid for 1,894.64 liters of additional fuel for the officers owning official vehicles in the District Secretariat and 05 Divisional Secretariats from March 2022 to December 2023.
- That additional fuel has been obtained only for essential duties and approval has been obtained from the Secretary to the Ministries of Public Administration, Home Affairs, Provincial Councils and Local Government and Payment for additional fuel has been made after obtaining the approval of the District Secretary at the request of the Divisional Secretary.
- Action should be taken as per the instructions of the Circular.
- (d) Section 22(2)(g) of the Firearms Ordinance and paragraph 3.4 of the Circular No.02/2022 dated 19 September 2022 of the Secretary to the Ministry of Defence
- Although the licensees should be informed that all firearms that are not licensed should be temporarily handed over to the office or the nearest police station by 10 January 2023, action was not taken accordingly and 12 before 2023 and 13 between 2017 and 2022 had not renewed their licenses by the date of 19 February 2024.
- Out of the 25 licensees who have not renewed their firearms licenses for the year 2023, two have obtained licenses for the year 2024. Divisional Secretariats have been informed to investigate and report on other firearm licensees.
- Action should be taken in respect of firearms and licenses in accordance with the instructions of the Firearms Ordinance and Circular.

2.5 Irregular Transactions

Payments without Authority

Audit Observation	Comments of the Accounting Officer	Recommendation
An additional Rs.238,256 was paid while making payment for the providing of cleaning services at the Magam Ruhunupura Administrative Complex by wrongly entering the names of three workers who were not employed by the service provider and preparing bills.	The workers mentioned in the observation are workers working at the district secretary's official residence and the supervisors of the cleaning institute have provided reports confirming them.	Additional payments should be recovered and incorrect bills should not be prepared and payments should not be made.

3. Operational Review

3.1 Non-achievement of expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although Rs.221,668 had been spent by Weerakatiya Divisional Secretariat on a coir brush project for 20 beneficiaries in Badigama South Division under the Saubhagya Production Villages Programme 2021, it was observed that only 05 beneficiaries were engaged in the project as of October 2023 and the project had been failed.	The machine has been delivered to the society on the request of another society which has successfully carried out the production of coir brush.	Expected benefits should be obtained from the project.
(b) Although the Samurdhi Arunalu Vocational Training Course which was implemented on the provision of the Department of Samurdhi Development in the year 2021 aims to reduce unemployment through vocational training and entrepreneur development, it was observed that the intended objectives of the project were not fulfilled and that only 03 students who studied the training course are engaged in related jobs even though almost 02 years have passed since Rs.1,728,000 has been	Covid crisis existed in the year 2021, fuel shortages in the country and gas shortages led to the collapse of the hotel sector. Therefore, person was directed to engage in any kind of work. Since the improvement in the hotel sector is also seen at present, that the action will be taken to employ the trainees in the future.	Provisions should be utilized as the desired objectives can be achieved.

spent by 04 Divisional Secretariats for 48 beneficiaries.

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| (c) | Although the Hambantota Divisional Secretariat has spent Rs.1,887,827 under Sapiri Gramak People's Participation Rural Development Program in the year 2020 to raise the economy of the community and to provide the community with an opportunity to get healthy food, that building was not used for its intended purpose and remained idle. | Proposals have been submitted for approval to provide a provision of Rs.2 million for the completion of the remaining works of the project under the ongoing budget programme for the year 2024. An agreement has been reached to assign the responsibility of running the activities of Bojun Hala to the Entrepreneurship Association under the supervision of Hambantota Municipal Council. | The desired objectives should be achieved through projects. |
| (d) | A compost production machine, two electric motors and a water tank worth Rs.477,543 provided by the Tissamaharama Divisional Secretariat to a farmers' organization under the Rural Livelihood Development Programme in the year 2022 remained idle until 03 November 2023. | That two Agrarian Service Centers have been informed to nominate another suitable organization for the purpose of providing these equipment to another organization and actions will be taken to provide equipment to an organization nominated by these organizations. | The desired objectives should be achieved through projects. |

3.2 Projects without Progress despite the release of Money

Audit Observation

An amount of Rs.33,629,869 was idle for more than 03 years in 111 bank accounts operated in the name of Grama Shakthi Societies by the funds provided under the Grama Shakthi People's Movement in 2018 and 2019 in 12 Divisional Secretariats of Hambantota District. Out of that, a sum of Rs.1,335,036 as a loan of Rs.1,282,212 at 31 December 2023 from Rs.5,144,225 and arrears of interest of Rs.52,824 given by 13

Comments of the Accounting Officer

Although the functioning of Grama Shakti Societies has been inactive for some time, actions are being made to activate or dissolve the inactive societies and transfer the government money to other societies. At the end of February 2024, that the outstanding loan

Recommendation
Actions should be taken to effectively utilize the allocated funds and recover the loans within the stipulated time without delay.

Grama Shakthi Societies in 06 Divisional Secretariats under the cyclical loan scheme had not been recovered. amount has come down to Rs.1,104,225 and the interest to Rs.44,551.

3.3 Implementation of Projects under Domestic Financing

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Construction of new Divisional Secretariat Building at Lunugamwehera.		
(i) A construction contractor had offered a price of Rs.113,816,772 lower than the engineering estimate for the construction of the building and the Technical Evaluation Committee had rejected the bid on the ground that the company's bid security was not in standard. However, since it is not a sufficient reason to reject a bid in terms of Section 7.8(d) of the Government Procurement Guideline 2006 and although a request may be made to the bidder for clarification on the contents of the bids as per Section 7.9.2(g), without act accordingly, since the bid was rejected and it was offered to the company which the given the price of Rs.127,587,772 that 11.05 per cent higher than the engineering estimate and therefore it was observed that the government has incurred a loss of Rs.13,771,092.	The Technical Evaluation Committee has not accepted the bid security due to the failure of instructions despite being asked to submit the bid security as per the accepted format. The agreement of contract for the first phase of this project was an abandoned one. That the Procurement Committee has acted on the recommendation of the Technical Evaluation Committee.	In accordance with the Government Procurement Guidelines, action should be taken to ensure that the desired objectives are met through the procurement process and the losses incurred should be recovered from the parties responsible for awarding the contract.
(ii) Although a part payment of Rs.2,694,989 was made for the construction of the Timber Stage on the top floor of the building, due to pulls in used wood, exhaustion of wood and the wood is not in good condition, it was being removed again by 17 August 2023 at the time of audit. Also, even though the amount to be paid for using imported wood for the construction of the stage was Rs.2,480,950, Rs.200,230 was overpaid due to payment of Rs.2,584,433.	Due to the observation of unbending among the wood, the wood on the stage has been removed and rearranged. Due to the increase in the value of the wood brought by the contractor, additional amount has been paid under the items on the site.	Payments should not be made in the absence of contractual and estimated construction and overpayments should be recovered.

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| (iii) | Despite five trusses were constructed for the construction of the roof in the first phase of the building, Rs.1,688,750 was erroneously estimated for that in the second phase and the contractor had agreed for Rs.3,809,000. Due to preparation of estimates without proper study, the contractor had to pay Rs.761,800 more as 20 percent advance. | The trusses on the site are the ones prepared by the first contractor. Payment is not made to him for this because he did not roofing. Since the first contractor had not taken them with him, that they had been put to use at the time of the second execution of the work and. | Appropriate action should be taken against the parties responsible regarding having to overpayments of advance. |
| (iv) | A sum of Rs.160,658 had been paid out of 03 bills due to payment of price increases without properly identifying the working period related to each bill. | Bills were prepared using the index in June to disadvantage the contractor through bill XV. The method used is rechecking all the indicators in the final bill and payments have been recommended by checking all in such way by the XV bill. | Over payments should be recovered. |
| (v) | Rs.984,948 had been paid more than the agreed price of contractor due to making payments for the installation of floor tiles in other amount under the modified variation work without complying with the estimate and agreement while installing floor tiles in the toilets of the building. | It was not possible to buy the desired type of tiles due to the poor economic condition of the country. Accordingly, 2x4 feet tiles in the market were purchased and construction work was carried out. | The losses incurred to government due to non-completion of the work as agreed by the contractor should be recovered and action should be taken against the responsible officers. |
| (vi) | Although the cost incurred for the construction of the granite wall was Rs.287,162, the price increases of Rs.735,058 had been paid. It was observed that, it is an unusual price increase of 256 percent compared to the value of the work done, and accordingly the amount overpaid should be recovered by correctly calculating the weighting for the granite. | It is not possible to pay price increases only within the given period as per the payment method. That the District Engineer will recommend payments according to the method introduced by CIDA based on the percentages initially determined. | Proper weighting should be carried out to pay price increases for work objects, failure to do so shall result in recovery of overpayments. |

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| (vii) | An additional sum of Rs.9,967,761 was paid for work objects such as floor tile, structural steel, aluminum door windows and wood while paying for price increases due to non-performance of work objects as agreed and non-weighting for inputs. | The additional payment for the floor tiles has been deducted from the XV bill and it is not possible to pay for other work objects only during the period made according to the price increases payment method. That the District Engineer will recommend payments according to the method introduced by CIDA based on the percentages initially determined. | Action should be taken against the officers who have paid more and overpayments should be recovered. |
| | | The contractor has the ability to use an approved type of cement. Therefore, the group M4, which is common to any type of M1, M2, M3, is used. | |
| (viii) | Rs.8,563,471 had been paid to the contractor in advance for 23 types of goods that were not available at the site as of 31 May 2023 after calculating 80 percent of their value and price increases for those goods. | Corrected from bill XV. Although the goods were not at site at the time of receipt of the bills, payments have been recommended as the goods were received at site at the time of checking and returning the bill. | Payment should be made only for items actually at site on the date of submission of bills. |
| (ix) | Although Rs.25,302,572 was paid as 20 percent advance after the contractor agreed to Rs.127,587,894 for the construction of the building, Rs.9,418,857 of advance was overpaid to the contractor due to non-completion of 191 work objects of Rs.47,094,286 which the contractor had agreed to perform. | Advance is paid as a percentage of the original contract amount. That the action has been taken in accordance with the agreement and the existing procedure. | Advances paid for non-performed work objects should be charged without delay. |
| (x) | Although an engineer did not supervise the site at full-time as per the contract, the agreed full salary of Rs.1,080,000 had been paid. | Since the two projects were unexpectedly contracted with the same contractor, we approved the supervision of | Appropriate action should be taken for violation of the terms and conditions |

both industries to the engineer of the agreement. of that company. Payments have been made from the Lunugamwehera industry until October 2022.

(b) Construction of new Divisional Secretariat Building in Angunakolapelessa - Phase II

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| (i) | The Cabinet approval had been received to direct transfer under the price of Rs.224,616,800 offered by Central Engineering Services Private company with a price increase of 11.06 percent over the engineering estimate of Rs.202,233,895 to that company. However, although the Contract was awarded by the District Secretary to Central Engineering Services Pvt. Ltd. for Rs.76,604,246 with a price increase of 30.5 percent against the revised allocation of Rs.58,658,156, the recommendations of the Procurement Committees and the Cabinet had not been obtained. | The original estimate has been approved by the Cabinet. The estimate has been revised again as per the decision of the Cabinet. It has been prepared based on the prices of the second half of 2021. An opportunity was given to submit a revised estimate on the request of Contractor the Central Engineering Private Limited. | Action should be taken against the parties responsible for the transfer beyond the price increase limit recommended by the Cabinet without obtaining the approval of the Cabinet and the Procurement Committee. |
| (ii) | Due to the transfer of construction work directly to the Central Engineering Services Private Limited without using the competitive bidding system, the contract company had an additional profit of Rs.3,783,670 which was 7% of the total work value of Rs.68,646,596 due to calculation of unit price stating that the profit is 27 percent and government had loss by that amount. | Prices and price analyses of all the work items included in the bill of quantity in this project were submitted to the Permanent Technology Evaluation Committee under the Ministry, where the prices were examined and revised prices were presented along with the relevant specifications. Accordingly, this institution cannot make profits and has acted according to the Cabinet decision. | Government funds should be used judiciously and Government Procurement Guidelines 2006 should be followed. |

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| (iii) | An advance of Rs.5,527,176 was overpaid to the contractor due to non-completion of 40 work subjects of Rs.27,635,879 which had been agreed to be completed even though an advance of Rs.15,290,849 was paid to the contractor. | Advance is paid as a percentage of the original contract amount. That the action has been taken in accordance with the agreement and the existing procedure. | Estimates should be made accurately and advance should be paid only for the work subjects expected to be performed. Advances paid for non-performed work subjects should be recovered without delay. |
| (iv) | Explosions of sum of 79.7 meters in 72 places on the walls of the building, 0.7 meters explosion in a concrete tower and 3.6 meters of explosions/ cracks in the toilet wall were observed. | This explosion was caused by changes in the expansion coefficient of bricks and concrete. That these defects will be fixed before the retention amount is paid. | Payments should not be made when there are significant deficiencies. |
| (v) | Although explosions/ cracks occurred in 24 places on the floor of ground floor and the first floor of the building which total of 366.79 square meters, without paying attention to it, the full amount of Rs.3,794,920 had been paid for cementing the house. | That these defects will be fixed before the retention money is paid. | Payments should not be made when there are significant deficiencies. |
| (vi) | According to the final payment bill of the project, total of Rs.9,455,432 out of Rs.17,592,958 of price increments paid was observed as the overpayments made in relation to the floor tiles, Structural Steel, aluminum doors and windows expenditure objects under primary cost, wrong selection of input type of cement and not identifying the correct billing period. | Input percentages were prepared using engineer estimates. The payments have been made without changing rates due to the requirements to be changed had not been fulfilled. Overpayments on primary cost will be rectified by future bills. The contractor has ability to use approved type of Cements Therefore the common category of M4 for relevant task is used. And also the index of November had not been published when | Overpayments should be recovered and action should be taken against the officers who made overpayments to the contractor in the form of price increases. |

submitting the VI bill and the payment to be made by using the bill issued after completing the works and its indexes.

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| (vii) | While extending the contract period for the second phase of the building which was to be completed on 31 December 2022 by 243 days, the contract period was extended without paying attention to the increase in the value of price increases to be paid due to that extension and therefore Rs.17,592,958 which was 23 percent of the contracted amount had been paid as price increases. | That the extension has been made as the engineer is satisfied with the points made by the contractor regarding the shortage of goods and difficulty in supplying goods due to the economic crisis in the country in the year 2022. | The time should be extended so that the government's money is used judiciously and keeping in view the additional costs incurred by the Government while extending the contract period. |
| (viii) | It was observed that the amount of Rs.299,000 paid as engineer's salary was an additional payment as the engineer who supervised the construction of the Lunugamwehera building was used for the same purpose instead of employing a full-time engineer to supervise the construction of the building as per the contract agreement. | Payment has not been made for the project activities of the Divisional Secretariat of Angunakolapelessa in the months of payment made for the Lunugamwehera Divisional Secretariat Project. | As an engineer has not been employed full-time as per the contract agreement, the value paid in excess as salary should be recovered. |
| (c) | Despite 12.5, 25 and 50 percent of interlocks tested in 03 road development projects implemented by the Walasmulla Divisional Secretariat under the Gama Samanga Pilisadarak Rural Development Program in the year 2022 was failed, a sum of Rs.2,364,133 was paid for the laying of interlocks on those three roads. | That the payments were made to these projects as per the instructions in the letter DSH/DPS/14/pro/meeting/2020 and annexure given by the District Secretariat. | Payments should be made by checking that the tasks have been carried out in a contracted manner as stated in the estimate. |

3.4 Procurement

Audit Observation

Comments of the Accounting Officer

Recommendation

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| (a) | According to paragraph 3.4(a) of the Government Procurement Guidelines 2006, although the shopping method can be used to small value, readily available goods, small value commodities for which specifications | Since there was no need to purchase a large number of water motors at ones and quarterly account settlement was carried out in the year | The most suitable procurement method should be selected as per the instructions of the Government |
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are standard, the price was called using the shopping method without calling for national competitive bidding in purchasing 118 water pumps worth Rs.5,265,824 by the Tissamaharama Divisional Secretariat and in the purchasing of goods worth Rs.63,787,698 for the Youth Agri-Entrepreneurship pilot project by District Secretariat in the year 2022.

2022, the purchase was made without inviting national competitive bids.

Simultaneous price has been called for the Youth Agri-Entrepreneurship Pilot Project to expedite the procurement process as most of the items required for the projects have to be imported and supplied and installed.

Procurement Guidelines 2006 while purchasing made for projects.

- (b) As per Supplement 35 dated 25 March 2020 for the Government Procurement Guidelines, although the authority limits for procurement of goods of the District and Divisional Procurement Committee are Rs.10 million and Rs.01 million respectively, the District Secretariat and the Divisional Secretariats of Lunugamwehera, Katuwana and Beliatta had purchased equipment worth Rs.72,079,992 on 22 occasions.

That the price have been called simultaneously for all projects due to the fact that the procurement has to be expedited including most of the items required for the projects carried out by the District Secretariat have to be imported.

That the Divisional Secretariats of Lunugamwehera and Katuwana have been instructed to keep in mind on the limitations of the Procurement Committees in the future and the cover approval of the District Procurement Committee has not been obtained due to the large number of projects to be implemented by the Beliatta Divisional Secretariat.

Officers should act in accordance with the provisions of the Government Procurement Guidelines 2006.

- (c) A loss of Rs.1,871,829 had been occurred due to the selection of the institution which submitted the minimum third price without act in accordance with the provisions contained under paragraph 7.9.2(i) of the Government Procurement Manual related to the paragraph 7.9.2 of Government Procurement Guidelines 2006 for cleaning Services at Magam Ruhunupura Administrative Complex for the Year 2023/2024 by rejecting the bid of the contractor who submitted the minimum price which was recommended by the Technical Evaluation Committee and the Deputy Labour Commissioner of the Southern Province.
- The prices of that company were rejected due to reliability issues arising out of submission of unacceptable bills related to the project to provide water to the grasslands of the administrative complex in 2018.
- Officers should act in accordance with the provisions of the Government Procurement Guidelines 2006.
- (d) **Proposed domestic goat breeding project to improve the livelihood of the people living in rural areas under the provision of the Ministry of Agriculture.**
- i. Although the national competitive bidding should be called as per paragraph 3.2 of the Procurement Guidelines 2006 for this project which estimated cost is Rs.17,910,000, the shopping method was adopted inconsistence with that and the reports of the formal Technical Evaluation Committee containing the specifications were not submitted to the audit.
- Answers have not been submitted.
- Action should be taken in accordance with the Government Procurement Guidelines 2006.
- ii. Bids were not submitted for 69 percent of the total animal requirement at the time of calling regional prices and 139 animals were purchased from two suppliers who not registered with the Department of Animal Production and Health.
- Answers have not been submitted.
- Animals should be purchased from suppliers registered under the Department of Animal Production and Health.

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| iii. | The Procurement Committee had decided on three alternative prices to be used while making payments for supplies. Accordingly, Rs.1,540,661 had been overpaid to external parties as the prices more than the approved prices of the Department of Animal Production and Health-Southern Province had been paid. | Answers have not been submitted. | The losses incurred to the government should be recovered. |
| (e) | The Divisional Secretariat of Katuwana had purchased 16 machines worth Rs.2,472,000 by calling prices from only one institution, contrary to Section 3.5.1 of the Procurement Guidelines 2006, while purchasing carpentry machines for Saubhagya Production Village programme and Samurdhi Livelihood programme in 2021. | It was decided to purchase directly from an import and distribution agency due to import restrictions. | Government Procurement Guidelines 2006 should be followed. |
| (f) | It was observed that 18 water motors worth Rs.838,100 purchased by the Tissamaharama Divisional Secretariat for the Gama Samanga Pilisadarak Program 2022 and the Samurdhi Household Residential Economy Development Program - 2021 were non-ordered type water motors that did not comply with the specifications. | That the goods have been supplied to suit the needs of the beneficiaries as they are not available in the market to purchase ordered type water motors due to shortage of goods in the country and purchases have been made on the allocated provisions. | Purchase of goods should be made in accordance with the specifications. |

3.5 Asset Management Audit Observation

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| (a) The 02 generators received by the Beliatta Divisional Secretariat before the year 2013 which had not been used for more than 10 years and were not in working condition had not been repaired and put into use or appropriate action had not been taken. | That one generator will not be used, and one generator will be repaired and put into use. | Assets should be used for objective purposes. |
| (b) A three-wheeler and a motorcycle belonging to the District Secretariat have been idle for 10 and 05 years respectively. | The registration rights of the motorcycle will be handed over to the District Secretary and further action will be taken after the three-wheeler is submitted to the Motor Vehicle Inspector. | Assets should be used for objective purposes. |

3.6 Uneconomic Transaction

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The machine purchased at a cost of Rs.769,000 under the Saubhagya Production Village Programme 2021 by Hambantota Divisional Secretariat for the Keliyapura Clay Based Industrialists' Society had withdrawn from use from July 2023 due to the specifications of the machine did not match the needs of the beneficiaries and repeated defects. As a result, it was observed that the objectives of the project had not been met and that the amount of Rs.769,000 incurred for the machine was an idle expenditure.</p>	<p>That the attention will be pay to make any changes in the mechanical system of the machine and the progress will be reported after the machine is restored and handed over to the society.</p>	<p>The intended objectives of the project should be achieved.</p>

3.7 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) According to the paragraph 2.3.5 of the Circular No. DFD/2023-I of the Secretary to the Treasury dated 09 February 2023 relating to the government paddy purchasing and disposal of paddy stocks program in the 2022/2023, the 08 Divisional Secretariats had decided the moisture percentage of all paddy stocks at 22 percent instead of the actual moisture percentage of paddy stocks. Accordingly, as 12.5 percent out of every 100 Kg of wet paddy purchased, 1,292,623 Kg of paddy out of 10,340,983 Kg of paddy had been write off for moisture and the purchase value of the write off paddy was Rs.113,750,824.</p>	<p>Answers have not been submitted.</p>	<p>Action should be taken in accordance with the circular instructions of the Secretary to the Treasury regarding the purchase of paddy.</p>

- (b) Rs.1,700,760 had been overpaid as paddy grinding rent since Sooriyawewa Divisional Secretariat had calculated paddy grinding rent without making adjustments for transportation costs contrary to paragraph 3.1.3 of Circular No.DFD/2023-I dated 09 February 2023 of Secretary to Treasury and the paragraph 04 of letter No.MWCA&SE/Add.Sec/01/AD01/119/2022 dated 23 March 2023 of Secretary to the Ministry of Women, Child Affairs and Social Empowerment. Answers have not been submitted. Adjustments for transportation cost should be made as per the circular instructions of the Secretary of the Ministry.
- (c) Pensions amounting to Rs.3,407,938 out of the total amount of Rs.6,025,880 overpaid by 10 Divisional Secretariats to 29 pensioners were to be recovered by 31 December 2023. Angunakolapelessa Divisional Secretariat has recovered Rs.21,995 on 31.03.2024. Overpayments should be recovered.
- (d) Although more than 15 years have passed since the Tissamaharama Divisional Secretary handed over the enjoyment of 4.6122 hectares of land in Kithalalanda to the Tissamaharama Pradeshiya Sabha in 2008 through a letter for a waste recycling project, it was not transferred to the Pradeshiya Sabha by a vesting order in accordance with Order 218 of the State Land Ordinance No. 08 of 1947. Further action will be taken as soon as the recommendations of the relevant institutions are received. In accordance with Order 218 of the State Land Ordinance No. 08 of 1947, action should be taken to transfer it to the Pradeshiya Sabha by a vesting order.
- (e) It was observed that Rs.246,296 of loss which is the estimated value of 22 Kohomba trees, 04 Teak trees, 03 Buruta trees and 01 Kirilla tree that had been cut down by an outside party were on a 20-acre land called Suruvirugama Welara belonging to the Sooriyawewa Divisional Secretariat where an industrial park is proposed to be located at the Ministry of Industry incurred by the government due to the negligence of the government officers should be recovered as per Financial Regulation 119. A complaint has been lodged at the police station regarding the issue and the district secretariat is investigating the matter. Further action will be taken in relation to the police complaint and on the recommendation of the investigation carried out by the District Secretariat. The loss incurred should be recovered in accordance with the Financial Regulation 119.

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| (f) | Total water charges of Rs.1,905,190 as of 13 June 2023 for the period from 01 to 09 years for the water supplied from the main water supply of the district secretariat for 12 government houses built next to the Hambantota administrative complex had not been collected. | Action will be taken to recover water charges in the future. | Water charges should be charged as prescribed. |
| (g) | In terms of Section 07 of the State Land Recovery of Possession Act No. 07 of 1979, although orders were issued to eviction order 08 encroachers for encroaching on state land in related with Tissamaharama, Sooriyawewa, Hambantota and Lunugamwehera Divisional Secretariats, it was observed that further action in this regard was being delayed for a period of 01 to 03 years. | That Tissamaharama and Sooriyawewa Divisional Secretariats have informed the concerned officers to look into the matter and take further action, and the Divisional Secretariats of Lunugamwehera and Hambantota will implement the eviction order after obtaining a copy of the award. | Further action should be taken according to the orders of eviction order and awards. |

4. Good Governance

Rendering of Services to the Public

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the Public Administration Circulars No.05/2008(I) dated 24 January 2018 and No.05/2008 dated 06 February 2008, all public institutions should introduce a citizen/client charter for its institutions with the objective of rendering provided services to the public more efficiently and effectively. The District Secretariat, Ambalantota, Tissamaharama, Okewela, Sooriyawewa and Beliatta Divisional Secretariats did not update the citizens' charter.	Actions are underway to update the Citizens' Charter.	Citizens' Charter should be updated and displayed.

- (b) According to the Citizen/Client Charter of the District Secretariat, although it has been stated that it will take one day to grant approval for the grant of permit for felling of Jack trees, for an application submitted by an applicant of Walasmulla Divisional Secretariat Division in the year 2021 to cut Jack trees was not granted permit until 20 February 2024. It was observed that there was a delay in issuing the permit until 13 February 2024 for an application submitted by an applicant in the Tangalle Divisional Secretariat Division in the year 2023.
- Accepting that there has been a mistake and the relevant party has been informed to act in accordance with the client's charter in the future.
- Action should be taken in accordance with the Citizen/Client Charter.
- (c) Although it has been almost 17 years passed from the Hambantota Divisional Secretariat allotted houses to 112 residents and land belonging to the Urban Development Authority to 07 people for the acquisition of land in the Hambantota Commercial Zone, formal document had not been provided for claiming the property.
- The 67 houses were not alienated and unoccupied and although it was planned to prepare long-term leases for the remaining 52 landowners, since they have requested for permit, the Urban Development Authority has been asked about the possibility of providing them.
- A claim paper should be granted to the property.
- (d) It was observed that the Government has also lost its revenue due to non-distribution of permits prepared for 35 applicants identified from Land Kachcheri in the years 2019, 2020, 2022 and 2023 of Tissamaharama Divisional Secretariat and 08 permits prepared on purchase price to permit holders by the date of 06 November 2023.
- Although the permit holders have been informed to provide them, they have not participated. Action will be taken in the future.
- Action should be taken to issue the permits issued to the respective permit holders.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the information of approved cadre and actual cadre as at the end of the year under review, 64 surpluses were observed in the posts of secondary grade.	As a step taken to regularize the existing surplus staff, request has been made through the Letter No.DSH/ADM/11/2/14 dated 20.11.2021 for an increase of approved Development Officer cadre by 96.	Actions should be taken to regulate the surpluses.
(b) According to the Public Administration Circular No. 18/2001 dated 22 August 2001, although every officer who has served in the same workplace for more than 05 years should be transferred for allow them to serve in other workplaces, 579 officers of the District Secretariat and 12 Divisional Secretariats had not act accordingly.	More than 40 officers with more than 05 years of service have been transferred from the workplace as the annual transfers of 2024 have come into effect.	Action should be taken in accordance with the Public Administration Circular No.18/2001 dated 22 August 2001.