

Head 275 – Polonnaruwa District Secretariat

1. Financial Statements

1.1 Qualified Opinion

Head 275 - The audit of the financial statements of the Polonnaruwa District Secretariat 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 Polonnaruwa District Secretariat was issued to the Accounting Officer on 22 May 2024 in accordance with section 11(1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was submitted to the Accounting Officer on 21 May 2024 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 Polonnaruwa District Secretariat 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 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 judgment and maintain professional skepticism 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 following 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 Expenditures

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the trial balance of the District Secretariat, the expenses incurred for personnel salary and wages and operating expenses in the cash flow statement should be Rs.611.96 million, but as it was accounted to Rs.579.13 million in the financial statements, the cash flow generated from operating activities had been under-accounted by Rs.32.83 million.	It is out of control of the District Secretariat.	Accounting should be done in accordance with the provisions of the Public Accounts Department No. 05/2023 dated 30 November 2023.

(b) Property, Plant and Equipment

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Although the closing balance of non-financial assets was Rs.2,888 million according to financial statement of the District Secretariat as at 31 December 2022, the operating balance of non-financial assets was accounted as Rs.2,805 million according to the financial statements of the year 2023 and due to that the opening balance of non-	The balance of non-financial assets of the Welikanda Divisional Secretariat has been under-accounted by Rs. 83 million and necessary action will be taken to correct it in future.	Financial statements should be prepared corresponding to the closing balance of the previous year.

financial assets for the year 2023 was under-accounted by Rs.83 million.

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| (ii) | 40 Vehicles worth Rs.111.35 million (assessed for insurance) and the value of 08 other vehicles and the value of 52 quarters, which should be accounted under non-financial assets, were not assessed and accounted. The goods that were identify to be disposed by the board of survey in the year 2022 were disposed in the year 2023, but the value of those disposed goods had not been identified and removed from non-financial assets. | It will be corrected in future. | All assets should be assessed and properly accounted in accordance with paragraphs 8.1 and 8.2 of the Public Accounts Department Circular No. 05/2023 dated 30 November 2023. |
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(c) Failure to maintain Records and Books

Audit Observation	Comments of the Accounting Officer	Recommendation
According to paragraphs 8.1 and 8.2 of the Guide of the Public Accounts Department No. 05/2023 dated 30 November 2023, the date of acquisition of assets, information about the same if misused, information about exchange of assets, information about purchase of assets should be included in the fixed assets register, but it was not done accordingly.	The date of purchase is recorded in the CIGAS program and the fixed asset utilization and exchange details are not updated and it will be corrected in future.	The fixed assets register should be updated and maintained by the fixed assets module within the CIGAS program.

(d) Lack of Audit Evidences

Audit Observation	Comments of the Accounting Officer	Recommendation
Answers to 02 audit queries submitted to the District Secretariat in the year under review had not been submitted by 31 May 2024 and the value of countable transactions related to those queries was Rs.203.6 million.	It has been informed that all the Divisions and Divisional Secretaries have been informed to give answers immediately.	The Accounting Officer should be rectified the deficiencies pointed out by the audit queries received as per the terms of Financial Regulation 155 and those queries should be answered

immediately. If there are queries that may be delayed in answering, an interim report should be sent.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Rs.2.8 million of the allocations transferred to 07 expenditure subjects under the F.R. 66 transfers remained unspent at the end of the year under review and allocations transferred to 04 other expenditure subjects amounting to Rs.3.7 million or a percentage of 60 percent to 97 percent remained under each expenditure subject and after transferring the allocations of 02 expenditure subjects under F.R. 66, between 52 percent and 95 percent remained respectively.	The provision was remained as the vouchers were not incurred for the expenses as desired.	Budget estimates should be used as a financial management guide.
(b) Due to the non-construction of the solar cell system, which is a major part of the basic plan of the new district secretariat building, the monthly electricity consumption had to be incurred between Rs.1 million and Rs.2 million.	As the Sustainable Energy Authority failed to install a solar system and provide electricity, Rs.66 million has been used from the allocated allocation for the project in the year 2024 to install the solar system	Installation solar cell system is a major sector of the master plan and that should be planned for completion prior to the completion of the building construction.

2.2 Utilization of funds provided by other Ministries and Departments

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although organic fertilizers should be given to farmers in a usable manner within the recommended period in the implementation of the eco-friendly fertilizer distribution program in the Yala and Maha seasons of 2022 and 2023, organic fertilizers worth Rs.298.1 million in the 2022 Yala season and Rs.681.4 million in the 2022/2023 Maha season were not released within the recommended period and according to the recommended standards and organic fertilizers worth Rs.9.5 million, which were to be distributed to 211 farmers in the Pulasthigama agricultural service area in the 2022 Yala season and 2023 Maha season, were being destroyed due to the refusal of the farmers to carry them.</p>	<p>The distribution of fertilizers was done parallel to the days when the relevant crop was spread.</p>	<p>When implementing the program, that should be done as per economically, efficiently and effectively to achieve the desired goals.</p>

2.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed during the sample audits are analyzed below.

Reference to Laws, Rules and Regulations	Observation Amount Rs.	Non-compliance	Comments of the Accounting Officer	Recommendation
(i) Establishment Code of the Democratic Socialist Republic of Sri Lanka	300,000	Contrary to the provisions of this paragraph, the Additional District Secretary, who was assigned to the work of the District Samurdhi Director,	Answers will be given in future.	Payments should not be made with contrary to the provisions of the circular.

had taken a loan of Rs. 100,000 each from 3 Samurdhi Prajamula Banks totaling to Rs. 300,000.

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| (ii) | Paragraph 4.4 of Public Accounts Circular No. 171/2004 dated 11 May 2004 | According to paragraph 4.4 of this circular in the District Secretariat and 07 Divisional Secretariats, even if the password of the salary processing software was changed once in three months, the system can be accessed with the old password. | It has been informed that the system weakness will be corrected in future. | The system weakness should be corrected. |
| (iii) | Extraordinary Gazette No. 1600/18 dated 06 May 2009 and No. 2216/34 dated 25 February 2021 | An amount of Rs.139.55 million to be charged from the year 2017 to the year 2021 as collection of mineral mining charges on government lands was not collected from 41 licensed granite workshops in 04 Divisional Secretariats of Polonnaruwa District. | Accepted. | Action should be taken to collect mining charges for the scared minerals. |

2.4 Fraudulent Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to section 7(1) of the circular No. DFD/Paddy/2021-3 dated 22 June 2021 of the Secretary to the Treasury, rice mill owners had not provided 2.18 million kilos of rice worth Rs.215 million to the government regarding the purchased rice through the Divisional secretariats of Dimbulagala, Thamankaduwa,	Due to the economic problems in the country, paddy mill owners said that paddy harvesting cannot be done at the agreed price and action will be taken to recover the arrears from the paddy mill owners.	Should be act as per the circulars.

Lankapura, Elahera and Hingurakgoda in the programme of buy rice from farmers through small and medium scale rice mill owners, buy rice in bulk and return it to the government implemented by the Polonnaruwa District Secretariat during the Yala season of 2021.

- (ii) The relevant formats to confirm the receiving of rice were prepared by the monitoring Development Officers without taking rice from 294 farmers through 19 small and medium scale mill owners in 2021 Yala season and Rs.87.46 million for rice and Rs.7.68 million for packing bags and dryers had been paid by 05 Divisional Secretariats.
- It is informed that the officers have not committed any fraudulent activities and fraudulent money has not been paid to the farmers and a formal investigation will be conducted and disciplinary action will be taken in this regard.
- A formal investigation should be conducted and disciplinary action should be taken.
- (b) Although the financial irregularity of Rs.2.44 million has been confirmed during the payment of elderly allowances and kidney allowances in the Dimbulagala Divisional Secretariat from 11 June 2018 to May 2021, formal disciplinary action in this regard has not been taken against the relevant officer after preliminary investigation and disciplinary action has not been taken against the relevant supervisory officers.
- The preliminary investigation report and the draft charge sheet have been forwarded to the Director General of Combined Services, but the action to be taken has not been mentioned and it has also been stated that instructions have been sought from the Ministry of Public Administration, Home Affairs, Provincial Councils and Local government to suspend this officer.
- Disciplinary action should be taken against the relevant officer and the supervising officers.

2.5 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the time analysis of General Deposits, the value of Rs.65.93 million deposits exceeded 5 years and the value of Rs.56.81 million deposits exceeded 2 years.	It has been informed that institutions are being informed about deposits from time to time.	Necessary action should be taken against overdue deposits.

3. Operational Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Divisional Secretariats under the District Secretariat have prepared a corporate plan for the years 2023-2026, the action plan for the year 2023 was not prepared by entering information as per paragraph 03 of the Public Finance Circular No. 02/2020 dated 28 August 2020.	It has been informed that instructions have been given to the Divisional Secretaries to prepare as per paragraph 03 of Public Finance Circular No. 02/2020 dated 28 August 2020.	It should be prepared in accordance with paragraph 03 of the Public Finance Circular No. 02/2020 dated 28 August 2020.

3.2 Non-performing Duties

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Due to the project being stopped on the way at an expense of Rs.1.81 million for the construction of 16 guardhouses near the Hingurakgoda electric fence with a contracted value of Rs.10.90 million based on the allocation received from the Department of Wildlife Conservation in the year 2020, the performance security of Rs.845,137 had not been recovered from the District Secretary in order to minimize the loss to the government.	It has been informed that the performance security will cover the severe recoverable amount from the bills to be paid to the contractor and from the payments of other projects he has done.	Action should be taken to compensate the loss to the government.

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| (b) | According to the provisions received from the Department of Wildlife Conservation, a contract was made with the contractor for the construction of 12 guardhouses near the electric fence in Elahera Divisional Secretariat at a value of Rs.8.99 million between the period from 15 September 2020 to 07 November 2020 and the project was stopped on the way after the completion of work worth Rs.2.64 million. The responsible officers had not taken action to recover the loss caused to the government through the related performance security. | It has been failed to update performance security. | Action should be taken to compensate the loss to the government. |
| (c) | The contract worth Rs.9.69 million to be completed between from 18 September 2020 to 15 December 2020 for the construction of 13 guardhouses related to the Dimbulagala power line under the allocation received from the Department of Wildlife Conservation was extended till 31 January 2023. An expenditure of Rs.5.05 million had been incurred at the end of the year under review, but the work had not been completed. | That the submission of bills for the work done has been delayed and projects could not be completed due to the Covid epidemic and the Director General of Wildlife has informed by the letter dated 22 June 2022 to temporarily stop the project as no more allocations will be made for those projects. | Projects should be implemented in an effective manner to achieve the desired objectives. |
| (d) | Although the date of completion of the construction project of Siripura bus stand, which has been allocated Rs.9.95 million, should be completed 22 December 2021, the audit had identified Rs.343,759 as late fee as the project had not been completed even when the physical inspection was conducted on 10 March 2022. Although it was informed that the correct late charges will be collected from the collection money after completion of the project as the reply to the audit query dated 07 July 2022 | Due to the late receiving of allocations, levy of late charges is not justified. | Late charges to be charge as per the agreement. |

to the District Secretary, reports were prepared as that the project was completed without delay and full payments were made without proceeding accordingly.

3.3 Abandoned Projects without Completion

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A project has been contracted at a value of Rs.1.97 million for the implementation of a stone rock – paved road development project in the Aralaganwila East Grama Niladhari domain of Dimbulagala Divisional Secretariat under the Rural Road Development Programme-2021 implemented by the State Ministry of Rural Roads and Infrastructure, but the project in problematic had been abandoned after the using ABC at an expenditure of Rs.499,828 and it had not been completed at the end of the year under review.	It has been included in the Rural Development Program 2024.	Action should be taken to complete the project.
(b) Technical errors have arisen due to the officers in charge of the project ignoring the instructions of the State Engineering Corporation in the Hingurakgoda bus stand upper floor construction project work done under the Polonnaruwa Rajarata Navodaya Development Program in the year 2019 and the amount of Rs.11.17 million spent for it had become to the non-completion of the construction work on the upper floor.	Relevant changes were made according to the written instructions of the District Engineer and that the construction of the project was delayed due to the adverse conditions prevailing in the country during the implementation of the project and the relevant work was completed within the allocation limit allocated for the upper floor and further allocations are required to complete the overall work.	Projects should be implemented economically, efficiently and effectively to achieve the desired objectives.

3.4 Delays in Project Execution

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Rs.1,030.84 million had been spent until 31 December 2023 under the contract under 02 phases for the construction of the Polonnaruwa District Secretariat. The selection of a supplier for the second phase was done with contrary to the procurement in order to speed up the work of the project, but the expected construction period was delayed by 05 years.	The procurement of this project has been done by the Ministry of Home Affairs and that phase II has been slow due to the Covid epidemic in the years 2020/2021.	The project should be implemented economically, efficiently and effectively to achieve the desired objectives.
(b) The contract under the Pibidemu Polonnaruwa Rajarata Navodaya Development Programme was awarded to the Central Consultant Bureau of Engineering Works for the construction of an administrative complex building at a contract value of Rs.1,303.86 million on 15 December 2016 and although the project was scheduled to be completed on 15 December 2018, the construction had not been completed and handed over at the end of the year under review.	Although the project was scheduled to be completed on 15 December 2018, it has been extended to 30 September 2021, but the construction has stopped due to lack of funds.	The construction of the building should be completed and use effectively.

3.5 Projects without progress despite the Release of Money

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although Rs. 1.73 million has been spent for the construction of an ornamental fish hatchery in Wijayabapura under the “Saubhagya” production villages programme 2021, the purpose of the project was not fulfilled as it was not possible to generate pet fish due to leakage of water from those tanks.	There is leakage of water in 09 constructed tanks and provision has been requested to remove and improve the tanks to make them suitable for breeding pet fish.	Projects should be implemented economically, efficiently and effectively to achieve the desired objectives.

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| (b) | Although the supplier had contracted to provide chicks in connection with the loss incurred by the government due to the death of 21,731 chicks worth Rs.8.78 million out of 26,837 chicks worth Rs.10.84 million purchased under the Rural Livelihood Development Program 2022, the chicks were still not delivered by May 2024. | It has been informed that the chicks that should be supplied in place of those dead chicks should be provided by 31 May 2024 and legal action will be taken in accordance with the agreement if the chicks are not supplied on that date. | Should be act legally. |
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3.6 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
The retention money of Rs.141 million in 15 projects with quantitative deficiencies carried out by the Central Engineering Consultancy Bureau during the period from 2016 to 2020 and action has not been taken to correct the deficiencies before awarding projects in future to this institution, which is carrying out projects with continuous failures and deficiencies, or blacklisted this institution.	Those decisions are to be taken after discussion with the Director (Planning) and the Chief Engineer.	Institutions that do not execute projects in accordance with the prescribed standards should be act in accordance with the relevant circulars.

3.7 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
03 Bowsers, a tractor, a motorcycle and a bicycle used by Thamankaduwa and Lankapura Divisional Secretariats remained idle from more than 02 years without being used.	That one bowser will be converted into a lorry and the other 02 bowsers will be repaired after receiving provisions and the motorcycle will be taken over.	Appropriate action should be taken against idle properties.

3.8 Damages and Losses

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although it has been almost 20 years for the total amount of Rs.42.13 million as Rs.22.31 million paid by the Food Department for the rice delivered to Lak Sathosa from the Polonnaruwa food warehouse and Rs.19.82 million for the rice stock handed over to the Ministry of Nation Building and Estate Infrastructure Development, it is shown as a balance to be further cut off in the statement of damages and losses without a settlement. But it had been confirmed that these balances have not been accounted as a balance to be paid to the Polonnaruwa District Secretariat in the financial statements of the two institutions.</p>	<p>Out of the balance of Rs.2,076.33 million as at 31 January 2007 under the advance account of 7000-0-0-25003-418, Rs.42.13 million had to be recovered until now.</p>	<p>Action should be taken to recover.</p>

3.9 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Out of 85 Grama Shakthi Janatha Societies established in 07 Divisional Secretariat areas namely Elahera, Thamankaduwa, Medirigiriya, Lankapura, Hingurkgoda, Welikanda and Dimbulagala, 61 societies are inactive and an amount of Rs.16.37 million remained inactive in the accounts belonging to those societies as at 31 December 2023.</p>	<p>Necessary arrangements are being made to transfer the money in the fund accounts to the active societies.</p>	<p>The objective of the Grama Shakthi Janatha Enterprise should be implemented effectively.</p>
<p>(b) Out of 511 lands belonging to government institutions, local government institutions, schools and temples belongin to Elahera, Medirigiriya, Lankapura and Hingurakgoda areas, land transfer</p>	<p>They are in the process of providing transfer deeds to government institutions.</p>	<p>Necessary action should be taken to issue transfer deeds.</p>

deeds have been issued for only 122 institutions by the end of the year under review.

04. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the information about the staff of the District Secretariat and 07 Divisional Secretariats, there were 189 vacancies as 10 vacancies on 06 senior level posts, 16 vacancies in 04 tertiary level posts, 161 vacancies in 07 secondary level posts and 02 vacancies in 02 primary level posts.	That information about all vacancies is updated through Public Administration PACTS system.	Should be act regarding vacancies.