

Head 279 - District Secretariat of Kegalle

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat of Kegalle for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the District Secretariat Kegalle was issued to the Accounting Officer on 22 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 21 June 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is submitted to Parliament in pursuance of provisions in the 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 of Kegalle as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

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

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

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

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

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an Auditor General's 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 District Secretariat's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5. Report on Other Legal Requirements

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

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

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following deficiencies were revealed in the accounting of the Property Plant and equipment.

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| ----- | ----- | ----- |
| (a) The value of Property Plant and equipment amounting to Rs.1,390,790,095 as at 31 December 2019 according to the financial statements was revised as Rs.2,258,600,729 when taken as the opening balance of the financial statements for the year under review. However, the audit did not confirm how the amendments made by the Treasury to the initial balance of Rs.860,224,482. | That this difference was due to amendments made by the Treasury. | The documentary confirmation should be obtained for amendment made by the Treasury. |
| (b) According to the Non-Financial Assets Statement – ACA 6, although it was not mentioned the value of the work in progress as at end of the year under review, a sum of Rs.27,162,611 had been mentioned as work in progress in the Accumulation Report of Non-Financial Assets- AS 82. | That action will be taken to settle with the assistance of the Department of Public Accounts. | Action should be taken to compare and correct the differences. |

1.6.2 Cash Flow Statement

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| The cash flow from operating activities was similarly higher and cash flow from investment activities was similarly lower due to the physical assets amounting to Rs.13,770,304 had been taken under construction or purchases instead of to be taken under personal emoluments and operating expenses. | That the physical assets had been taken under construction or purchase because those expenses are taken capital nature. | The financial statements should be prepared by identifying the relevant cash flow correctly. |

2. Financial Review

2.1 Management of Imprests

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| The imprests value applied by the District Secretariat for the year under review was Rs.6,554,532,905 and the imprests received during the year were only Rs.4,807,827,877. Accordingly, the value of imprests received less than the amount of imprests requested were Rs.1,746,705,028. | The total amount of imprest requested had increased because the un-received imprest in a particular month will be applied for in the next month as well. | Need to take actions to manage imprest with close contact with the Treasury. |

2.2 Utilization of Provisions made available by other Ministries and Departments

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| The value of bills in hand payable at the end of the year under review was Rs.12,012,042 for development projects carried out on the allocations of other Ministries and Departments. Out of this, bills valued at Rs.10,650,849 had not been settled until April 2021 and the value of bills further to be settled for the year 2019 was Rs.1,361,193 due to non-receipt of provisions. | That it could not be settled due to lack of provisions. | Action should be taken to obtain the provisions without delay with close contact with the Treasury. |

2.3 Certification of Accounting Officer

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| <p>The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control 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. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.</p> | <p>Although internal guidelines had been issued, they had not been submitted to the audit and will be submitted in the future.</p> | <p>Action should be taken in accordance with provisions in Section 38 of the National Audit Act No.19 of 2018.</p> |

2.4 Deposits Balances

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <p>The deposit balance of 4 deposit accounts pertaining to the Kegalle District Secretariat and 11 Divisional Secretariats as at 31 December 2020 was Rs.336,598,104 and out of this, the deposit balance for more than 02 years which was not complied with in terms of Financial Regulations 571 except land deposits was Rs. 25,305,912. Out of this, a deposit balance of Rs.16,450,481 remind over 05 years representing the amount encashed from advance guarantee due to the contractor not performing the relevant work related to the construction of the Kegalle District Secretariat and retentions on payments up to that point and it was currently a construction project under a new contractor.</p> | <p>It was stated that the retention deposits will be taken into government revenue after inquiring the relevant institutions and retention money related to the construction of the District Secretariat can be settled by 01 September 2021.</p> | <p>Deposits should be used for the relevant purpose and action should be taken in accordance with Financial Regulation 571.</p> |

3. Operating Review

3.1 Non-achievement of expected Output Level

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| <p>A sum of Rs.69,575,200 had been given for 43 People's Societies in 11 Divisional Secretariat under the first phase on the allocations received in 2018 and 2019 and Rs. 4,560,000 had been given to 96 people's societies in 11 Divisional Secretariat under the second phase in 2019 for establishment of people's societies under the Grama Shakthi People's Movement introduced by the Sustainable Development Division of the Presidential Secretariat with the objective of eradicating poverty in Sri Lanka through the use of a community controlled system. However, at the end of the year under review, a sum of Rs. 49,812,357 of 34 societies representing 71 per cent of the amount disbursed in the first phase and a sum of Rs.4,358,021 of 96 societies representing 96 per cent of the amount disbursed in the second phase in the bank accounts without being utilized for the relevant purpose.</p> | <p>This programme had been removed from the Presidential Secretariat and at present it had been handed over to the Sawbahya Bureau and the registrations of Grama Shakthi Societies were removed from the Department of Registrar of Companies and that the Bureau will take further action.</p> | <p>Provisions should be used for the intended purpose.</p> |

3.2 Non-achievement of expected Outcome

The following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| <p>(a) According to letter No. PS/SD/SMART-OP-01 of the Director General of Smart Sri Lanka dated 21 May 2019, it was planned to minimize youth unemployment by acting as a job bank and a guide by feeding information about financial services and their providers etc., technology equipment for the concessionary price, technical service training, entrepreneurship opportunities, business organizations and their jobs, for job seekers from the rural level to the national level through the use of computer software under the Smart</p> | <p>This program is currently handed over to the Department of Manpower and Employment and it is planned to be implemented under it.</p> | <p>The relevant project should be used for the intended purpose.</p> |

Sri Lanka program. Under this, a sum of Rs.1,985,293 had been spent by end of the year under review as Rs.1,744,015 allocated for the establishment of Smart Sri Lanka Centres at Galigamuwa, Ruwanwella, Dehiowita and Rambukkana Divisional Secretariats under allocations received to Kegalle District Secretariat and a sum of Rs.241,278 for introduction and training programs. In addition, 22 computers with software were provided to the Divisional Secretariats to implement the relevant programs. However, by the time of the audit in March 2021, the Smart Sri Lanka programme was not in operating condition for achieves the expected goals.

- (b) 78 families were identified in the Ruwanwella Divisional Secretariat area under the Resettlement Project of Families Affected by Landslides Disaster and Landslide. Out of these, 28 families were not included in the benefits for various reasons and out of the remaining 50 families, 15 families had not completed their housing construction work by the end of the year under review and the outstanding housing assistance amounted to Rs. 4,850,000. Also, although a water supply system had been constructed for this housing project in the Moraliya Watta area, the supply of water had not been completed by the audited date in February 2021.
- The payment of installments for some recipients had been suspended due to the non-construction of houses as per the criteria given by the government.
- Action should be taken to solve the existing problems and pay the housing assistance.
- (c) Upgrading of Women's Products Marketing Stall and Sanitary Facilities (2 Toilets) in Ingiriyawatta area in Thaligama Grama Niladhari Division at Yatiyantota Divisional Secretariat Division was completed by the end of 2018 with an allocation of Rs. 1,500,000 received from the Ministry of Women's and Children's Affairs in the year 2018. However, the relevant construction had not been used for the intended purpose until the audit field inspection date on 21 April 2021.
- That action is being taken to re-utilize the stalls.
- Action should be taken to use for intended purposes as soon as the project is completed.

- (d) An allocation of Rs. 970,000 was received for the Panawatta No. 01 Water Project in the Yatiyantota Divisional Secretariat area under the Gamperaliya Accelerated Development Program-2019. No further excavation work was carried out due to a rock emerging during the excavation of the well belonging to the relevant project and a sum of Rs,101,920 had been paid to the contractor for the work done. The field inspection on 21 April 2021 by the audit observed that the weeds were overgrown in the area as unable to use the relevant premises and it was unable to provide drinking water to the people in the area as the objective of the project.
- The Chairman of the Pradeshiya Sabha had been informed that other alternative actions without delay. Action should be taken to achieve the objective by taking other alternative actions without delay.

3.3 Delays in the Execution of Projects

The following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <p>(a) The acquisition of land extended 3 Rude and 12 perches called Kobekaduwahena in the Habalakkawa Grama Niladhari Division of the Aranayake Divisional Secretariat were commenced in 2016 to resettle the landslide victims. However, land acquisition and compensation to landowners had not been completed by the end of the year under review.</p> | <p>Delays in other coordinating bodies and provisions had not been received so far from the Ministry of Lands to pay compensation to landowners.</p> | <p>Should work in good coordination with the relevant institutions.</p> |
| <p>(b) The water supply had not been given even as at end of the year under review for 80 cubic meter capacity ferro cement water tower construction project in Nilwakka kegalle had commenced during 2018 on the allocation of Rs.17,339,861 received from the Ministry of National Policies and Economic Affairs.</p> | <p>That the work of the water tank had been completed and action will be taken to provide a water supply without delay</p> | <p>The project should be used for its intended purpose without delay</p> |
| <p>(c) The activities of acquisition of 25 acres from the Ambadeniya section of the Ambadeniya Estate owned by the Plantation Company had commenced in 2016 to provide lands to 88 displaced families in the Mawanella Divisional Secretariat Division. However, due to delays in preparing the initial plan, quality reports and land ownership issues, the land acquisition process was not completed until the end of the year under review.</p> | <p>Acquisition was delayed due to delays in other related institutions.</p> | <p>The acquisition should be done without delay in coordination with the relevant institutions</p> |

3.4 Implementation of Projects under Domestic Financing

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| <p>The Kegalle Pradeshiya Sabha had carried out the construction work on the Hettimulla Rajamawatha development in three parts, which had been completed by 2019 at a cost of Rs. 970,000, on a grant received by the Kegalle Divisional Secretary under the Gamperaliya program. During the physical inspection of the road, the rocks on the surface of the concrete floor were peeling off and there were small holes in the surface of the road. As a result, the quality of the mixtures used in the construction of this road was questionable.</p> | <p>That the Pradeshiya Sabha had informed that the contracted farmers' organization will repair the defects and the Assistant Commissioner of Local Government is conducting an investigation.</p> | <p>An adequate investigation should be conducted for the projects.</p> |

3.5 Unresolved audit paragraphs

Following are the details of the paragraphs in which follow-up actions are not completed were included in the Auditor General's reports of the previous years relating to the District Secretariat.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <p>(a) The two-storied Tuttiripitiya bus stand was handed over to the State Engineering Corporation on 19 February 2014 for construction at an estimated cost of Rs.23,570,905. The construction works on the project was halted after incurred an expenditure of Rs. 3,988,900. Although the Provincial Land Commissioner has been informed in 2018 and 2019 to make the necessary arrangements to hand over this land to the Aranayake Pradeshiya Sabha as it is a government owned land, that task had not been done even end of the year under review.</p> | <p>The State Engineering Corporation, the contractor, had halted construction and at the request of the Aranayake Pradeshiya Sabha, approval had been sought from the Provincial Land Commissioner to use this land for another purpose.</p> | <p>In the case of planning a project, it should be planned as to gain a benefit for the money spent on the project.</p> |
| <p>(b) Provisions of Rs.35,615,876 had been provided to the District Secretariat for the implementation of the Kitulgala Town Development Project in 2019 under the Rural Infrastructure Development Program of the Ministry of National Policy Economic Affairs, Resettlement and Provincial</p> | <p>Action will be taken to discussions with the Provincial Governor on the possibility of starting as a new project.</p> | <p>In the case of planning new projects, it should be planned as to gain a benefit for the money spent on the project.</p> |

Development and Youth Affairs. Under this, an agreement was signed to expand either side of the 0.8 km long Kitulgala town center road and construct side drains at a cost of Rs.25,698,900. The construction was halted on 29 November 2019 due to an influence from an outside party to carry out the industry.

4. Good Governance

4.1 Rendering of Services to the Public

| Audit Observation ----- | Comments of the Accounting Officer ----- | Recommendation ----- |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| In terms of Public Administration Circular No. 05/2008 dated 06 February 2008, although all government agencies must introduce the Citizens' Charter for their institutions, more than 12 years had passed since the issuance of the above Circular; no action had been taken to prepare the Citizens' Charter in 04 Divisional Secretariats in the Kegalle District. | It had been informed to prepare and submit, the Divisional Secretariats who had not prepared the Citizen's Charter. | The Charter should be prepared by every Divisional Secretariat in accordance with the Circular. |

5. Human Resource Management

The following observations are made.

| Audit Observation ----- | Comments of the Accounting Officer ----- | Recommendation ----- |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| (a) A Development Officer of the Ruwanwella Divisional Secretariat served as the Chairman of the Library Services Board of the North Central Provincial Council from January to October 2020. However, there was no an approval obtain from Director General of Combine Services to release of this officer to the North Central Provincial Council. | It was released at the request of the Governor of the North Central Province and a formal approval in this regard had requested from Director General of Combine Services. | The employees must be released on formal approvals. |

- (b) The approved cadre of the District Secretariat and 11 Divisional Secretariats as at 31 December 2020 was 1973 and actual cadre was 1825. Out of the 148 vacancies in the approved cadre, 80 vacancies were related to the post of Grama Niladhari and there were 7 posts of Development Officer and Technical Officer each. Considering the existing 572 Grama Niladhari Divisions, the number of vacancies was 14 per cent.
- Since the District Secretary does not have the power to recruit to a post, the relevant authorities will be informed as soon as the vacancy arises.
- That action should be taken to fill the essential staff vacancies.