

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat of Nuwaraeliya 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 was issued to the Accounting Officer on 21 May 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 13 May 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the District Secretariat of Nuwaraeliya 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 are 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 are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement 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 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) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) At the end of preceding year, it was observed a difference of Rs. 120,103,440 between the asset account balances and the opening balances of the year under review, other than that the financial statements correspond to 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 observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although the statement of non-financial assets (ACA-6) for the period from 01 January 2020 to 31 December showed a decrease of Rs.52, 697,670 in net assets, according to the Comparative figures of the property, plant and equipment in the statement of financial position, increased by Rs.66, 676,324.	Non-financial assets included as opening balance are not included in the correct assets categories and vehicles belonging to Divisional Secretariats are also accounted by the District Secretariat. Although it showed a decrease in the value of assets in the rectification, it showed an increase in value due to the non-financial assets accounting as opening balance as at January 1 2020.	The reasons for the difference should be identified and correct the financial statements.
(b) According to the land and building Assessment report submitted for the audit, although the value of the land and buildings was Rs. 2,043,782,125, the Statement of Non-financial assets (ACA-6) declared Rs. 2,117,877,419 and there was a	That will be checked and answered.	The reasons for the change should be identified and the financial statements should be corrected and the assets of the Walapane Divisional Secretariat should be assessed.

difference of Rs.74, 095,294. Further, the value of the land and buildings owned to Walapane Divisional Secretariat had not been assessed and accounted.

- (c) The value mentioned in the vehicle schedule submitted for audit was Rs.108, 333,929, while the value stated in the statement of non-financial assets (ACA-6) was Rs.113, 158,429 it had been difference of Rs.4,824,500. That will be checked and answered. The reasons for the change should be identified and correct the financial statements.

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6.2 Lack of Audit Evidence

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) It had a difference of Rs.120, 103,440 in 10 assets codes as at 31 December 2019 declared in statement of non-financial assets (ACA-6) were recorded as the opening balance of the year under review and no evidence was presented to the audit</p>	<p>Accounting of the all initial assets of offices had not been completed in the previous years; the non-included assets have been accounted as opening balances in the year 2020 as well. Although the expenses of the Accountants' quarters constructed during the year 2020 should be accounted</p>	<p>Copies of approved journal entries should be submitted to the audit when correcting errors.</p>
<p>regarding those adjustments of opening balances.</p>	<p>as new assets, the part payments amounting to Rs. 4,323,521 have been accounted as value addition due to the ignorance of the officers in accounting for the assets in the Sigas program. Therefore, that value is included in the opening balance and the difference between the balances is</p>	

made, if the opening balances are to be included from now on, notified to provide copies of the relevant journal entries.

2. Financial Review

2.1 Utilization of Provisions made available by other Ministries and Departments

Audit Observation	Comments of the Accounting Officer	Recommendation
The allocations received to the District Secretariat from the Ministries and Departments for capital and recurrent expenditure, ranging from 3 percent to 68 percent had been saved during the year under review.	The projects could not be implemented due to the Covid situation.	Received allocations should be utilized at the maximum level.

2.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Audit Observation	Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Non-compliance	
(a) Section 13.2 of chapter XLVII of Establishments Code of the Democratic Socialist Republic of Sri Lanka	Although the officers concerned should ensure that each preliminary investigation is concluded without delay, the Hanguranketha Divisional Secretariat had not been taken actions so on two instances.	That the report was delayed due to the occasional transfer of officers appointed for preliminary investigations. All preliminary investigation should be concluded without delay as per the provisions of the Establishments Code.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| (i) Financial Regulations 138 and 245 | Payments had been made for 30 vouchers worth Rs.25,190,404 without certifying by the Divisional Secretariats, Walapane, Hanguranketha and Nuwara Eliya. | The Hanguranketha Divisional Secretariat has informed that the vouchers could not be certified by mistake of the officers who did not report for duty continuously due to the Covid 19 situation. | Action should be taken in accordance with Financial Regulations 138 and 245. |
| (ii) Financial Regulation 206 | Vouchers had not been certified by two officers for a refund from a deposit on six instances. | At present two officers certify the payment. | Action should be taken in accordance with Financial Regulation 206. |

2.3 Issuance and Settlement of Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
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The imprest balance of Rs.900,878 which has been brought forward since 2013 had not been settled as at 31 December 2020.	This situation has arisen due to non-payment of an advance paid to a contractor in the year 2012 and according to a Cabinet decision taken in the year 2018, it has been referred to the Ministry of Home Affairs for further action.	Action should be taken to settle the unpaid advance balance.

2.4 Deposit Balances

It was observed that following deficiencies in the accounting of deposits payments and balances related to financial statements.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) 40 percent or 30 percent of the value of each unfinished projects during 2020, Rs.68,038,199 had been transferred to Deposit Account No. 6000/0/0/16/0/16 excluding the provisions of Financial Regulation 215 (3).	It was problematic to obtain the first hammer test reports before 31 December, on roads that were concreted at the end of December 2020, so that an additional 30 percent of the project value was retained to pay for all road tests.	Action should be taken in accordance with Financial Regulation 215(3).
(b) Financial Regulations 571 had not been complied with in respect of 14 land deposit balances more than 10 years from the date of deposit totaling Rs.5,358,120 .	The money has been retained until the end of the compensation investigation.	Action should be taken in accordance with Financial Regulations.

3. Operating Review

3.1 Non-achievement of expected Output Level

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The estimated cost for the renovation of the 34 Crayton Village quarters had been revised from Rs.720, 849 to Rs.747, 768. Rs. 715,437 had been paid to the society due to defects in paint, water leaks from concrete floors and poor finishing.	The contractor has been instructed to rectify the defects before releasing the retained money.	A certificate of completion of the relevant project should be obtained before paying the final bill and the defects should be rectified.

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| (b) | <p>The installation of concrete pipes for the water supply project for the central part of Mount Vernon with a finished work value of Rs.496,947 had been planned under the provisions of the Sapiri Gamak program implemented by the Ministry of Finance. However, in the physical inspection, the supply of electricity was implemented as one project and the other tasks included in the estimate were implemented as another project. Although the cost of laying concrete pipes and laying PVC water pipes was Rs. 296,947, the water supply work had not been completed by 19 February 2021. Although a sum of Rs. 200,000 had been paid to the relevant contractor for obtaining electricity as a separate project of the project, the name of the paying party was mentioned as “manager” in the bill submitted and this amount had been paid to the relevant society without confirming whether it was a cost incurred by the contractor himself for the work related to the project.</p> | Not replied | <p>Action should be taken to provide water connection as soon as possible. Estimates given by the CEB and receipts received at the time of payment should be submitted for audit.</p> |
| (c) | <p>It has been paid the amount of Rs.1,940,000 for blasting and removing stones of 148.2 m³ of the Project of removing risky stones in Ramboda Upper Bazaar. Although stones had been blasted, the stones had not been removed so as to disappear the risk. Those stones had been cracked by exploding each other. It should be maintained by putting retaining drain horizontal to the slope so as not to accumulate water in it order to avoid the risk of falling stones above and though the</p> | <p>The estimate had been prepared within the limit of provision received by including compulsory tasks in order to minimize the risk.</p> | <p>Action should be taken to rectify the deficiencies.</p> |

National Building Research Organization has recommended to construct retaining mound outside the drain, it has not been included any of these activities within the estimate.

3.2 Non-achievement of expected Outcome

 The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) A sum of Rs. 481,643 had been paid to the Ranwanthalawa Gemunu Farmers' society for the Ranwanthalawa Canal Rehabilitation Project under the provisions of the Sapiri Gamak program. The canal had to be constructed at a distance of about 100 m to bring water from the road to the cultivated area. Although the project is implementing, more than 25 acres of farmlands are still being cultivated with rainwater, because of the water is absorbed into the ground before it reaches the cultivation.	That the work had been done to the extent of the allocations received.	Productivity should be taken into consideration in project planning and action should be taken to develop the rest of the canal.
(b) Although it had been included amount of Rs.453,334 for supply and fixing aluminum door and windows with all items for self-employment training center in upper floor of Vidulipura South Library building that constructed under the provision of ‘Sapiri Gamak’ programme, later it had been planned to construct it as second phase. As a result of it, the building had been idle until this task was completed.	The building has been used for expected task by finishing aluminum doors and windows in 2021 due to insufficiency of provisions in 2020 to complete all works.	The work should be completed by the year 2021, with provisions made on priority basis.

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| <p>(c) The Grama Shakthi Janatha Project was launched with the objective of increasing the income of the farmers who cultivate seed beans in the Hanguranketha Divisional Secretariat and Rs.5,311,908 had been incurred by the Government as at 31 December 2021. The cool room which was completed last year at the Agrarian Services Center premises in Mandaramnuwara to provide cool room facilities for seed beans had not been used as at 11 January 2021.</p> | <p>That it will be utilized effectively in the future.</p> | <p>Necessary actions should be taken to implement the projects effectively.</p> |
| <p>(d) Although Rs. 42,500,000 had been incurred to generate electricity from solar power systems to 85 religious places in the district in the year 2020 under the Gamperaliya program, those projects had not been operational as at 30 March 2021.</p> | <p>The CEB had been informed to take immediate action to connect to the national grid.</p> | <p>Action should be taken to carry out as mentioned in the approved project proposal so as to provide maximum public service on the provisions provided by the planned projects.</p> |

3.3 Projects without Progress despite the release of Money

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>Although an agreement was reached for the development of Harasbedda No. 03 Road at Walapane Divisional Secretariat at a cost of Rs. 1,980,000 under the provisions of the Sapiri Gamak Program, The contractor society had completed only Rs. 905,013 or 45 percent of the estimated value.</p>	<p>That only the amount of work done has been paid for.</p>	<p>Action should be taken in accordance with the Government Procurement Guidelines and Agreement against the relevant societies for non-compliance with the agreement.</p>

3.4 Annual Performance Report

In terms of paragraph 10.2 of Public Finance Circular No.2/2020 of 28 August 2020, the Annual Performance Report should have been prepared in accordance with the Format specified in Guideline 14, issued by the Department of Public Finance. The following observations are made in this connection.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The action plan had been prepared by including only the targets of the District Secretariat instead of preparing the action plan for the district by combining the targeted functions of the Divisional Secretariats apart from the instructions in paragraph 03 of Public Finance Circular No. 01/2014 dated 17 February 2014.	Officers have been instructed to make plans so that the shortcomings pointed out do not occur in the future.	Performance report should be prepared effectively and more accurately as per circular instructions.
(b) The prepared action plan had not been include information on targets to be achieved in the administration and accounts divisions, annual targets set for identified services and staff training targets in the year 2020.	Officers have been instructed to make plans so that the shortcomings pointed out do not occur in the future.	The action plan needs to be prepared more accurately.
(c) It was unable to identify the progress of some divisions' activities in the Action plan from the Performance Report due to non-preparation of the progress of the Performance Report that prepared in the year 2020 in accordance with the targeted tasks included in Annual Action Plan.	Officers have been instructed to make plans so that the shortcomings pointed out do not occur in the future.	Action should be taken in accordance with the circular provisions

3.5 Procurements

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) According to the Suppliers Registration Register, 13 companies had been registered for the supply of sporting items for the year 2020. Bid calling letters had not been sent to any of the registered suppliers as per the bid calling letter dated 3 June 2020 for the purchase of sporting items.	Due to special purchases, the shops of the relevant equipment have been inspected and bids have been called from those institutions.	The prices should be called from registered suppliers.
(b) It has been paid an amount of Rs.704,938 for purchasing 410 chairs by calling prices without mentioning required specifications or number of chairs for it at the procurement of purchasing plastic chairs for offices of village officers in Nuwara Eliya Divisional Secretariat.	Actions have been taken to prevent deficiencies in the future.	Action should be taken in accordance with the Government Procurement Guidelines when making purchases.

3.6 Uneconomic Transactions

----- Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>The height of the old canal constructed in the Raja Ela division under the provisions of the Sapiri Gamak program was 1' 6" and the width was 1' 6". However, the canal was 3' high and 2' 6" wide and was designed to carry water from the canal to the Mawela East Division. The construction of a 3' canal to carry water coming from a 1' high canal was not practical at all and an uneconomical cost of Rs. 716,530 had been incurred for it.</p>	<p>Not replied.</p>	<p>Constructions should be approved from a qualified engineer.</p>

3.7 Management Weaknesses

The following observations are made.

----- Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) Grama Niladari had not informed the divisional secretariats at 14 instances of deceased pensioners in non-compliance with the provisions of the Circular No 19/2006 date on 15 December 2006 of Director General of Pensions. An amount of Rs.2,173,548 had been credited to the accounts of deceased pensioners in Kothmale and Nuwara Eliya Divisional Secretariats due to</p>	<p>That the overpayment is being recovered.</p>	<p>Action should be taken in accordance with the circular provisions.</p>

the negligence of Grama Niladari and it has to be recovered Rs.438,833 from it by 20 January 2021.

- (b) There were 189 families identified for resettlement in the Walapane Divisional Secretariat as at 31 December 2020. Out of this, only 42 families had been resettled. A total of 147 families were still living in the affected areas, including 17 families affected by the 2014 landslide in the Palalpathana division.
- 20 acres of state lands have been requested and the resettlement process has been delayed due to the non-agreement of the Ministry of Plantation Industries and the plantation companies. A proposal is being prepared to acquire lands under the village expansion methodology.
- Action should be taken to provide immediate relief to the affected people through the provisions provided.

- (c) Any fitness certificate/recommendations of National Building Research Organization had not taken for any construction works in Nuwara Eliya District that identified as a district with landslide risks according to the Circular No.2011/01 dated on 10 February 2011 of National Building Research Organization and the building plans of any project had not been approved from Local Government.
- It was become an issue of not having mechanism to settle the expenses that should be incurred when obtaining the reports from National Building Research Organization and it is worked so as to show for all constructions hereinafter.
- All legal requirements should be taken into consideration while constructing.

- (d) Hangarapitiya weekly fair economic centre had been constructed to the agreed value of Rs.1,485,000 in the year 2020 under 'Sapiri Gamak' program. It has been incurred the sum of Rs.159,784 under 13 & 14 final bills for supplying and fixing C-perlin with thickness of 2mm with 150mm x 65 x 14 and 100mm x 50 x 12 in relation to the project. That
- Those defects are corrected by advising the contractor to corrosion prevention paint by cleaning corrosion C-perlin and the building will be hand over to relevant local government after the maintenance period.
- Defects should be rectified and the project should be formally handed over to the Pradeshiya Sabha.

C-perlin has been corrosion by discoloring before handing over to relevant parties after completion. It had not been taken action to hand over this project to Ambagamuwa Divisional Secretarit by 29 January 2021.

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| (e) | It has been emphasized that the relevant information should be display in the project site for getting known to the public as per Information Act No 12 of 2016 and the sentences on that were included in the offering letters. However, there were no any displays of information in those projects when physically observed. | Although contractor/development officer has been informed to act to display information on project, no advice was given to make provision from estimate for such display board. | A system should be prepared to communicate essential information about projects to the public. |
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3.8 Informal Transactions

Following are the details of the fraudulent transactions observed during the sample audit.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Rs.174,935 had been paid for unfinished work related to 04 projects in Kotmale and Nuwara Eliya Divisional Secretariats.	Action will be taken to recover the over payments.	Should check the overpayments and action should be taken in accordance with the provisions of 156 (1) of the Financial Regulations.
(b) Overpayments of Rs. 632,132 had been made for 11 completed projects in the Kotmale, Walapane and Hanguranketha Divisional Secretariats under the Sapiri Gamak program.	Action will be taken to recover the over payments.	Should check the overpayments and action should be taken in accordance with the provisions of 156 (1) of the Financial Regulations.

4. Sustainable Development

Identification of Sustainable Development Goals

Audit Observation

Comments of the Accounting Officer

Recommendation

The objectives to be achieved by the year 2030 had not been clearly identified and plans had not been prepared accordingly as per the provisions of the Sri Lanka Sustainable Development Act No. 19 of 2017.

All officers will be informed and action will be taken accordingly.

Should be clearly identify the Sustainable Development Goals and prepare plans to achieve them.

5. Good Governance

Rendering of Services to the Public

Audit Observation

Comments of the Accounting Officer

Recommendation

Although all the Divisional Secretariats in the Nuwara Eliya District have introduced and implemented the Citizen Charter as per Public Administration Circular No. 05/2008 dated 06 February 2008, it is observed that it is an obstacle in case of electricity breakdown. People who come to get essential services have to face great inconvenience, especially during high winds and rainy weather, when it takes a long time to restore electricity breakdowns.

Actions will be taken to provide generators on a priority basis based on the amount allocations received.

The required actions should be done to provide generators with sufficient capacity by requesting additional provision.

6. Human Resources Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) 10 posts had been vacant out of 11 posts of Technical Officers approved by the District Secretariat. Accordingly, lack of a sufficient number of technical officers to supervise the projects had been remained a problem.	The requests were done to place officers for vacancies.	Action should be taken to fill the vacancies.
(b) In terms of the Public Administration Circular No. 02/2018 dated 24 January 2018, a Human Resource Development Plan had not been prepared so as to provide at least 12 hours of training per year to all the officers of the staff in Ambagamuwa, Kothmale and Nuwaraeliya Divisional Secretariats. Also, out of 473 officers working in the Hanguranketha and Nuwara Eliya Divisional Secretariats, 292 officers had not been given any training opportunities in the year 2020.	Although the relevant targets were not achieved last year due to the Covid situation, training is expected to continue this year.	Should provide training opportunities for all officers covering a minimum training period.