

## Head 259 –Matale District Secretariat

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Matale District Secretariat for the year ended 31<sup>st</sup> December 2021 comprising the statement of financial position as at 31<sup>st</sup> December 2021 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 of Matale was issued to the Accounting Officer on 25<sup>th</sup> May 2022 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 23<sup>rd</sup> June 2022 in terms of Section 11(2) of the National 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 of Matale as at 31<sup>st</sup> December 2021, 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

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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

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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

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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 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

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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  
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1.6.1 Accounting deficiencies  
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(a) Lack of Evidence for Audit  
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Following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(i) Debit notices for the value of Rs.25,100 debited to the Matala District Secretariat expenditure head by the Railway Department shown in the imprest adjustment statement had not been submitted to the audit.	Although the Railway Department has been informed, the debit notices are not being given within the stipulated time.	Debit notices should be obtained and submitted.
(ii) Sources of receipts for Rs.61,049,778 had not been submitted for audit shown as the setoff in respect of receipts from other sources in the statement of ACA-3, imprest account in the financial statements.	This shortcoming has occurred due to the inclusion of daily income collected by Galewela and Ukuwela Divisional Secretariat office as one value instead of recording as individual receipt vouchers in the CIGAS program and it has been informed not to account in this manner in the future.	Actions should be taken to submit sources of receipts for audit.

## 2. Financial Review

### 2.1 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observation		Comments of the Accounting Officer	Recommendation
	Value Rs.	Non-compliance		
Financial Regulation 104 of the Democratic Socialist Republic of Sri Lanka.	49,875	Although, a period of 06 months had passed since the accident, the loss related to a vehicle accident had not been dealt with according to the financial regulations.	It has been informed that actions will be taken to settle the amount of Rs. 49,875.	It should be complied with Financial regulation 104.

### 2.2 Transactions in the Nature of Financial Frauds

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In the acquisition of land for the North-West Canal project, the value of a land plot in the Danduyaya Grama Niladhari Division in Galewela Divisional Secretariat Division, has been initially assessed as paddy land by the Provincial Chief Valuer and a development value of Rs.91,000 was decided as compensation, but Rs.2,905,800 has been paid at last by changing assessment value in several occasions, but basis for the payment couldn't be verified during the Audit.	Even though it was assessed as paddy land, highland assessment was given in comparison with other land in the Division.	After formal investigation, if overpayment is made, it should be recovered from the responsible party.

- (b) During the acquisition of land for the North-West Canal project, compensation of Rs. 2,791,975 was paid considering as private land without formal approval for 07 government land plots in Galewela Divisional Secretariat. It has stated that it was informed to proceed in the same manner for the North-West canal project, as in the construction of the Kalunganga project, therefore the compensation has been paid without special approval. After formal investigation, if overpayment is made, it should be recovered from the responsible party.

### 2.3 Issuance and Settlement of Advances

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Audit Observation	Comments of the Accounting Officer	Recommendation
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A distress loan of Rs.170,602 was not recovered from an employee who was suspended from works before 05 years while working in the Matale Divisional Secretariat.	It has been informed that it is being charged as Rs.1,000 installments.	Actions should be taken to recover the loan amount.

### 3. Operating Review

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#### 3.1 Non-achievement of expected Output Level

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Audit Observation	Comments of the Accounting Officer	Recommendation
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Although Rs.5,975,482 had been spent for the construction of 06 building projects and a playground in the Matale Divisional Secretariat from 2012 to the year under review, due to the presence of further works to be completed, the construction projects could not be used. As a result, the amount spent for it had become an idle expenditure.	It has been informed that the payments have been stopped due to the standard and condition of the construction not being up to the expected level.	Balance work in the Projects should be completed and utilized.

### 3.2 Non-achievement of expected Outcome

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Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
For the improvement of grain and cinnamon production under the Saubhagya Production Village Project of Pallepola Divisional Secretariat, a building had been constructed at a cost of Rs.682,500. But the machines were not installed since there is insecurity due to the lack of mesh covers and the iron gates were not placed at the proper height, and there was not enough space to install paddy and grain grinding machines in the building.	As it is a multi-phase project, it has been informed that buildings will be constructed sufficiently in the next phase.	Buildings should be properly planned before constructing the buildings and properly completed and utilized.

### 3.3 Delays in the Execution of Projects

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Following observations are made

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) According to the agreement related to the construction of the two-storied building of Self-Employment Center in Moragolla Grama Niladhari Division of Galewela Divisional Secretariat, the work had to be completed by December 30 <sup>th</sup> of the previous year, but the work has not been completed by November 22 <sup>nd</sup> of the year under review.	Due to bad weather, the project could not be commenced on the scheduled date and it was informed that the provision for the remaining works was not received in 2021.	The building should be completed and utilized.
(b) Under the Saubhagya Production Village Project of Pallepola Divisional Secretariat, The work of the building constructed at a cost of Rs.282,500 for the development	It has been informed that since this project is an ongoing project under several phases, in the next phase, arrangements will be made for the construction	- Do -

of coconut and coconut related production was supposed to be completed by December 31<sup>st</sup> of the year under review and was not completed by February 08<sup>th</sup>, 2022.

- (c) In relation to the project to encourage grain and cinnamon producers under infrastructure development, an allocation of Rs.03 million had been allocated for the development of 1040 feet of Pallepola Ambokka Timbirianga road by paving interlock and completes the work by December 31<sup>st</sup> of the year under review. But by February 08<sup>th</sup>, 2022, the work had not been completed.
- It was informed that due to the lack of construction materials, the completion of the work on the road was delayed, and this was a common situation for all projects.
- Projects must be completed and utilized.

#### 3.4 Projects without Progress despite the release of Money

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Following observations are made

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Under the government's contribution, construction materials worth of Rs.900,000 have been given to 09 beneficiaries as Rs.100,000 per each for the construction of workshops needed to increase the production of sesame and Murukku producers in Ukuwela Divisional Secretariat Division. But even by January 26 <sup>th</sup> , 2022, the construction of workshops had not been started.	During the Covid-19 pandemic, the construction of the work Shops was delayed due to the limitation in sources of income generation, shortage of construction materials and increasing prices, and it has been informed that the necessary arrangements have been made to start the workshops as soon as possible.	Actions should be taken to start the relevant constructions.

- (b) Construction materials worth Rs.800,000 had been given to 08 beneficiaries in the year under review to establish a fully equipped Laaksha Training Village in Ukuwela Divisional Secretariat under the Saubhagya Production Village Project. But the related construction works had not been started. - Do - - Do -
- (c) Construction materials worth of Rs.1,000,000 had been given to 10 beneficiaries for the production of organic fertilizers under the project of empowering organic manure producers in Ukuwela Divisional Secretariat in relation to the Saubhagya Production Village Project. But by January 26<sup>th</sup>, 2022, the related constructions had not been completed and the organic fertilizer production had not been started. It was informed that there was no fertilizer in the warehouse as the raw materials required for the production of organic fertilizers are piled in the same place until they become compost and then stored in the stores. The construction should be completed and the desired benefits should be gained.

### 3.5 Procurements

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Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>Even though the products had been purchased at a higher price without purchasing from the organizations that had submitted the minimum prices in relation to the purchase of furniture, based on the specification such as suitability with the requirement, the product quality, the finishing, durability of the product and matching with the current requirement of the district secretariat office, those</p>	<p>The Technical Evaluation Committee has personally inspected the goods and informed that the purchase has been made to minimize discrepancy.</p>	<p>When calling quotations, the specifications should be given and during the evaluation process, evaluations should be based on those specifications.</p>



specifications had not been presented in the quotation. Due to this, there had been a loss of Rs.556,399.

### 3.6 Management Weaknesses

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Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Rent in arrears of Rs.888,818 due for the period of 07 months from June to December of the year under review had not been collected from 11 other institutions residing in the buildings belonging to the District Secretariat.	It had been informed that letters have been sent asking to pay the outstanding amount.	Actions should be taken to recover arrears and a system should be set up to prevent arrears.

### 4. Achievement of Sustainable Development Goals

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Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
According to the performance report presented by the District Secretariat, Among the identified sustainable development goals, the progress in achieving the goals of compliance with environmental regulations, monitoring land management activities, discussing children's issues and taking necessary measures and protecting them from abuse was less than 50 percent of the annual target.	It has been informed that instructions have been given to the officials to pay special attention in this regard and to exceed 50 percent progress in the future.	A system should be developed to achieve the expected targets.

## 5. Good Governance

## 5.1 Rendering of Services to the General Public

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) During the period from April to November of the reviewed year, 20 grants that received from the Land Commissioner General to the Matale Divisional Secretariat were not handed over to the heirs by 19 November 2021 and were retained for a period of 01 to 07 months.	It has been informed that they had been retained in the office to distribute by holding a ceremony, according to the instructions of the Land Commissioner General and the Provincial Land Commissioner Department.	Actions should be taken to distribute grants to beneficiaries.
(b) Land Kachcheries were not conducted regarding 1333 applications received from 36 Grama Niladhari Division in Dambulla Divisional Secretariat Division, and field inspections related to 09 Grama Niladhari Division in Dambulla City and Matale Divisional Secretariat Division had not been conducted.	It has informed that the colony officer was informed to complete the field investigations in the coming days.	Land Kachcheries and relevant field inspections should be conducted.

## 6. Human Resources Management

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Following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) As at 31 December of the year under review, there were 212 employee vacancies in 21 posts and 133 excess employees in 09 posts in the District Secretariat and Divisional Secretariat offices.	It has been informed that it will be corrected in the year 2022.	Actions should be taken to fill up the vacancies and relevant action should be taken regarding the surplus.
(b) According to paragraph 2.2.2 of the Annual Transfer Policy of the Director General of Combined Services dated August 31 <sup>st</sup> 2020, officers who have served at the same place for more than 05 years shall be subject to transfer. However, 46 officers from the District Secretariat and Galewela, Dambulla, Ukuwela and Pallepola Divisional Secretariats were continuously employed at the same place for more than 05 years.	The transfers of Development Officer have been stopped on the instructions of the Secretary, Ministry of Home Affairs. It has been informed that although other officers have applied for transfers, no transfers have been received and the internal transfer procedure has been prepared for the year 2022.	Officers working in the same place for more than 05 years should be transferred and officers who do not received transfers, despite applying for transfers should be transferred within the district.