

Head 260 –District Secretariate, Nuwara Eliya

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariate, Nuwara Eliya for the year ended 31 December 2021 comprising the statement of financial position as at 31 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.

In terms of Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Sri Lanka Police was issued to the Accounting Officer on 26 May 2022. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the District Secretariat was issued on 18 May 2022 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, which should be read in conjunction with provisions of 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 Secretariate, Nuwara Eliya as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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, under those standards is further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines 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 annual and periodic financial statements to be prepared.

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 system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility 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 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, they could reasonably be expected to influence the economic decisions of users taken 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 identify and assess the risks 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 audit 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

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

As required by Section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements are consistent with that of the preceding year.
- (b) Recommendation made by me on the financial statements related to the preceding year had been implemented.

1.6 Comment of the Financial Statements

1.6.1 Accounting Deficiencies

(a) **Recurrent Expenditure**

The following observations are made .

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| ----- | ----- | ----- |
| <p>The solar power system of the Hangurankethe Divisional Secretariat had added 5915 electricity units to the national grid during the year under review and 7602 units had been consumed. In accounting for the expenses on electricity, bills had been settled by setting off the consumed amount of units against the amount of units produced and therefore, the expenditure and the income related to 5915 of electricity units had not been disclosed in the financial statements.</p> | <p>It has been informed that this matter has been brought to the notice of the Department of State Accounts as accounting is not presently carried out under the existing accounting system.</p> | <p>Action should be taken in accordance with the instructions given by the State Accounts Department.</p> |

(b) Property, Plant and Equipment

The following deficiencies were observed in accounting for Property, Plant and Equipment.

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| ----- | ----- | ----- |
| (i) Ninety seven items of assets received by the District Secretariat and 03 Divisional Secretariats during the year under review and the preceding years from 04 non-governmental organizations had not been assessed and brought to account. | The relevant divisions have been apprised to make arrangements to assess and account for the assets by making the relevant offices aware of details on all the assets. | The Value should be assessed and included in the financial statements. |
| (ii) Value of two sales centres amounting to Rs. 23,584,227 constructed by a non-governmental organization had not been brought to account. | It has been informed that the two sales centres will be brought to account and reports will be submitted in the future. | Correct value should be included in the financial statements. |
| (iii) The land belonging to the Walapane Divisional Secretariat had not been assessed and brought to account. | It has been informed that assessment report will be furnished soon after the receipt of the report. | Action should be taken to assess and account for the land. |

(c) Imprest Balance

The following deficiencies were observed in accounting for the imprest balance.

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| ----- | ----- | ----- |
| The imprest balance of Rs. 900,878 that had been carried forward since the year 2013 was not settled even by 31 December of the year under review. | It has been reported that this matter has been referred to the Secretary to the Home Affairs for further action. | The unsettled advance that has been the cause for the imprest balance should be settled. |

(d) Failure to Account for the Closing Stock

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| The value of the consumable goods stock amounting to Rs.5,467,752 that was available at the District Secretariat and Hanguranketha and Kothmale Divisional Secretariats as at 31 December of the year under review had not been included in the financial statements. Further, although there were closing stocks of consumable goods at the Nuwara Eliya, Ambagamuwa and Walapane Divisional Secretariats, value thereof had not been assessed and brought to account. | It has been informed that this matter has been brought to the notice of the Department of State Accounts as accounting is not presently carried out under the existing accounting system. | Action should be taken in accordance with the instructions obtained from the State Accounts Department. |

2. Financial Review

2.1 Incurring Commitments and Liabilities.

The following observations are made.

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| (a) Without being complied with the Financial Regulations, liabilities of Rs.1,586,756 had been incurred for 02 items of expenditure | It has been reported that the liabilities were incurred due to inadequacy of the provisions allocated annually. | Financial Regulation 94 should be followed. |

during the year under review.

- (b) Despite savings of Rs. 300,240 had been incurred for 03 items of expenditure of imprests, liability of Rs. 300,240 had been incurred for 03 items of expenditure. It has been reported that the liabilities were incurred due to inadequacy of imprests to make payments related to 31 February 2021 and submission of vouchers after 31 December. No liabilities should be incurred when there are savings of imprests.

(d) **Non-compliance with Laws, Rules and Regulations**

| Reference to Laws, Rules and Regulations | Value | Non-compliance | Comment of the Accounting Officer | Recommendation |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Sections 4:2:2, 4:2:4, 4:2:5, 4:5, 4:6, and 6:3 of Chapter XXIV of the Code of Institutions of the Democratic Socialist Republic of Sri Lanka | Rs. 403,052 | Loans due from 3 retired and deceased officers had not been recovered before completion of the loan payments. | Loan balances have not been settled as retirement gratuity and death gratuity have not been approved. It has been informed that the relevant loans will be recovered immediately after the retirement gratuity and death gratuity are approved. | Action should be taken in accordance with the State Finance Circular No. 05/2019 dated 27 June 2019 and the Establishments Code. |

3. Operating Review

3.1 Projects without progress despite the release of funds.

The following observations are made.

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| (a) Although constructions of the government houses under phase 1 had been carried out at a cost of Rs. 4,044,166 for district secretariat officers, due to non-completion of the works, they remained unusable and idle even by March 2022. Accordingly, expected objectives of the project could not be achieved. | Although estimates were prepared to construct a two-storied building, the amount of provisions given for the year 2021 was Rs.05 million. Therefore, the ground floor was constructed as much as possible to fit that amount. It has been informed that as Rs.05 million has been allocated for the year 2022, estimates have been prepared and allocations have been requested to complete the work on the ground floor and a part of the first floor this year as well. | Constructions should be carried out by allocating the required provisions. |
| (b) The progress of the resettlement programme under disaster relief services was stated as 100 per cent. However, although Rs. 126,000,000 had been allocated for the construction of 105 houses for 105 families who have to be resettled due to landslides in Kotmale Divisional Secretariat Division, houses had not been constructed even by 31 December of the year under review. | Out of 98 houses, works worth 2 lakhs have been done on 40 houses. Construction of estate housing has been started with an agreement with the estate cooperative society. Necessary arrangements have been made to obtain approval from the Ministry in this regard. This matter has also been discussed in the Audit Management Committee. | Action should be taken to complete the project and achieve the desired objectives. |

3.2 Assets Management

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------|
| A jeep belonging to the District Secretariat had been taken out of use and it remained idle for about 1 1/2 years by the end of the year under review. | It has been informed that spare parts required for repairs are difficult to be found. | Vehicles should be repaired and used effectively. |

3.3 Failure to reply audit queries

The following audit queries issued to the Nuwara Eliya District Secretariat had not been answered even by 18 July 2022.

| Audit query number and details | Comment of the Accounting Officer | Recommendation |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------------------------------|
| (a) NUE/A/KCH/2022/09 – National programme to provide vocational training to 100,000 members of low-income families, District Secretariat, Nuwara Eliya. | Not replied. | The audit query should be answered within the prescribed period. |
| (b) CL/NE/A/KCH/2021/13 - Inspection on the residence of Junior Public Service House No. 40C, District Secretariat, Nuwara Eliya. | -Do- | -Do- |
| (c) NUE/A/NE/2021/06 - Inspection of land lease , Nuwara Eliya Divisional Secretariat. | -Do- | -Do- |

3.4 Management Weaknesses

The following observations are made.

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| <p>According to the Circular No. 19/2006 dated 15 December 2006 of the Director General of Pensions, if a pensioner dies in a certain Grama Niladharee Division division, the Grama Niladharee should immediately notify to that effect to the Divisional Secretariat where the pension is drawn with the pension number within 07 days. However, due to the failure to act accordingly in Kothmale and Haguranketha Divisional Secretariat divisions, the overpaid amount of Rs. 2,135,772 and Rs.1,581,391 respectively related to the period from 2016 to the year under review remained receivable on 31 December of the year under review.</p> | <p>It has been reported that disability pension and service pension will be charged after being combined those pensions.</p> | <p>Circular instructions should be followed.</p> |

4. Achievement of Sustainable Development Goals

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <p>Indicators had not been prepared to reach sustainable development goals by considering the objectives of all the sectors operating under the</p> | <p>It has been informed that the targets that have been reached as a percentage of the sustainable objective</p> | <p>Indicators should be set in a manner that performance can be accurately assessed annually.</p> |

supervision of the District Secretariat. Further, according to the information presented in the report, the numerical details of the goals set and the goals actually achieved had not been furnished.

indicators prepared by the relevant sectors have been stated in the performance report.

5. Human Resource Management

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------|
| ----- | ----- | ----- |
| Although the approved cadre of the Technical Officers of the District Secretariat was 11, there were 10 vacancies of the post of Technical Officer. | It has been informed that the Ministry has been constantly informed of this matter. | Vacancies should be filled. |