

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kegalle District Secretariat 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. The summary report containing my comments and observations on the financial statements of the Kegalle District Secretariat was issued to the Accounting Officer on 18 May 2022 in terms of Section 11(1) of the National Audit Act. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 17 May 2022 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 Kegalle District Secretariat as at 31 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

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

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

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

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

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

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

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement 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 Non- financial Assets

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) A difference was observed in the balances of the fixed assets statement in the financial statements and the opening balance of treasury SA format 82 by Rs. 3,067,517, under [purchases by Rs. 3,550,242 and under disposals by Rs. 482,727.	There were two SA 82 formats dated 28.02.2022 and 21.02.2021 and format SA 82 dated 11.02.2021 has been used to prepare the financial statements.	The values indicated in treasury notes and financial statements should be compared and arrangements should be made to indicate the correct values.
(b) According to the consolidated trial balance, the total amount of expenditure related to the acquisition of capital assets is Rs. 73,336,169, but a difference of Rs. 100,553,180 was observed from Rs. 97,002,938 in treasury SA format 82.	Reasons and explanations for changes are included in the financial statements.	-Do-

1.6.2 Cash flow statement

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The capital expenditure of Rs. 925,954,938, which should be indicated under investment activities, was indicated under operating activities.	It will correct in future financial statements.	Financial statements should be prepared on the basis of prescribed classifications.
(b) Rs. 7,179,866, which was the property loan interest expense to be indicated under subsidies and transfers, was indicated under staff salaries and operating expenses.	-Do-	-Do-

1.6.3 Imprest Account

Audit Observation	Comments of the Accounting Officer	Recommendation
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According to the books of the department, the receivings and payments of the imprests were Rs. 5,384,340,247, but according to the treasury books, a difference of Rs. 65,360,000 was observed from Rs. 5,449,700,247.	An error had occurred in the treasury books.	Should be made comparisons with treasury notes and indicated the correct value.

2. Financial Review

2.1 Imprest Management

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although an imprest of Rs. 9,678 million was requested as Rs. 3,459 million and Rs. 6,219 million respectively for Head 279 and other ministries and departments, only Rs. 4,878 million was received.	The treasury has not been able to provide the required amount of imprest.	Action should be made to manage the imprest in close liaison with the treasury.

2.2 incurring into Liabilities and Obligations

Audit Observation	Comments of the Accounting Officer	Recommendation
Liabilities of Rs. 257,846,790 were incurred for the projects completed under the allocation of other ministries and departments during the year under review.	I will settle pending bills according to the amount of provision.	Work subjects should be identified and carried out within the given allocations and imprest limits.

2.3 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The withholding contract deposit balance exceeding 2 years was Rs. 5,166,140 and out of that, Rs. 3,815,209 was balances exceeding 5 years.	Rs. 1,046,617 has been settled and the balance will be settled soon by 30 April 2022.	Arrangements should be made to settle the deposits as per the Financial Regulations.
(b) There was a deposit balance of Rs. 365,018 over 2 years in the temporarily withholding deposit balance. There was a deposit balance of Rs. 3,877,253 between 1 st and 2 nd year due to non-fulfillment of the relevant work or non-sending of the balance to the relevant parties after completion of the work and out of this, Rs. 2,029,574 was related to the District Secretariat and Rs. 1,534,511 was related to the Deraniyagala Divisional Secretariat.	Rs. 1,951,333 has been settled as at 30 April 2022 and I will settle the balance immediately.	Settlement of deposits should be done according to the Financial Regulations.
(c) Due to delays in dealing with the relevant institutions in the land acquisition process, compensation payments of Rs. 65,416,687 between 1 and 2 years, Rs. 19,800,498 between 2 and 5 years and Rs. 31,907,431 over 5 years in the compensation payments of Rs. 156,400,553.	Please be informed that the land acquisition process will take time as had to be acted with the related institutions.	Follow-up activities should be done with the relevant institutions and should be made to take over the land.

3. Operating Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although the District Secretariat has prepared an action plan covering 23 divisions and services for the year under review, a progress report was not prepared in accordance with the relevant plan as that the progress of the tasks planned in the said action plan could be identified.	I will prepare an action plan including relevant information from the year 2022.	Annual plan and progress reports should be prepared accordingly.

3.2 Non-achievement of Expected Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
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Apalawaththa factory building with machines and equipment purchased at Rs. 1,005,930 in the year 2018 and the building which was built under the "Grama Shakthi Janatha Wiyaparaya" in the year 2019 at an expenditure of Rs. 3,211,954 in Aranayaka Divisional Secretariat was handed over to the Apalawaththa united Grama shakthi janatha society for the establishment of a factory on 02 March 2020. In this factory, where iron is thinned by the main machine and other works related to the production are done by the other machines, the production was not being achieved relative to the capacity of the machine due to reason such as the decrease in the number of factory workers in the village and the decrease in the demand for thinned iron. Due to non-maintenance of records of collected income and expenses and work done by the factory, information about the income earned and expenditure and the work	The Grama shakthi janatha society and officials have been instructed to operate the factory with adequate capacity and maintain the relevant records promptly.	Action should be taken to efficiently deploy them for purposeful tasks by carrying out constant close supervision.

done by the factory was not submitted. Also, it was not confirmed that there was any guidance or advice and adequate supervision regarding the operating of the factory.

3.3 Problematic Audit Paragraphs

 The audit paragraphs that have not been followed up which had been included in the Auditor General's report in previous years related to the District Secretariat is given below.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Rs. 69,575,200 was given to 43 public societies in 11 Divisional Secretariat divisions under the first phase and Rs. 4,560,000 was given to 96 public societies in 11 Divisional Secretariat divisions under the second phase in the year 2019 based on the allocations received in the years 2018 and 2019 for establishment of public societies under the Grama Shakthi peoples entity. But, it was withheld idle in bank accounts without being used for the relevant purpose as Rs. 49,812,357 in 34 societies as 71 percent of the amount given in the first phase and Rs. 4,358,021 in 96 societies as 96 percent of the amount given in the second phase.	The remaining amount has been used more efficiently for community development activities.	The relevant projects should be activated and the funds should be used for the purposeful activities.
(b) A further amount of Rs. 16,765,760 was recovered from the pension fraud that occurred in the Kegalle, Warakapola Divisional Secretariat offices and the Kegalle District Secretariat office between 2009 and 2013.	Those judicial proceedings are ongoing.	Action should be taken as per the Establishment Code.

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| (c) | Due to court injunction on 31 August 2015, as the issues regarding the ownership of the construction site of the Warakapola bus stand and shopping mall construction project which had started in October 2014 at an estimate of Rs. 48,942,000 under the provisions of the Ministry of Economic Development, the construction work of the project was stopped after the completed work worth Rs. 15,189,389. | The court proceedings are not over yet. | Projects should be planned as get the benefits from the amount of money spent |
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3.4 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) During the resettlement of one family unit on a private land under the resettlement project of the families affected by the landslides and the risk of landslides in the year from 2016 to 2019 in Kegalle district, Rs. 1,600,000 and Rs. 1,200,000 were approved to pay compensation for living in a government land. But, the amount of compensation to be paid to 190 beneficiaries was Rs. 76,278,000 in relation to 06 Divisional Secretariat offices due to reasons such as the housing beneficiaries not building their houses up to standard and non-completion of the work.	The payment of assistance to the beneficiaries of houses whose house construction work has not been sufficiently completed for the money given yet has been suspended.	Regular follow-up should be done to encourage the home owners to build houses.
(b) According to Kegalle District Secretary's letter No. SDK/EST/ADM/SOS/ER/D15/01/11 dated 14 June 2018, the Kegalle District Secretariat, the self-help organization of the disabled and the National Housing Development Authority have decided to implement the project of building houses for 300 low-income disabled people as a joint programme and it was	No responsibility has been given to the District Secretariat or the Divisional Secretariat for conducting this programme and I will only provide facilities and coordinate activities.	The related activities should be carried out without delay while maintaining a close relationship with the institutions related to the relevant welfare programme.

planned to give assistance of a maximum Rs. 2 lakhs each by the National Housing Development Authority as maximum of Rs. 5 lakhs for a new each house and Rs. 2 lakhs for a semi-detached houses. The amount paid to the 381 housing beneficiaries till 21 June 2020 was only Rs. 23,710,000 and the amount of assistance to be paid further was Rs. 95,690,000. Although a flag sale programme was conducted in February 2018 which collected Rs. 7,362,647 and credited it to the district swashakthi authority council for persons with disabilities (Swashakthi fund), the money was also not used for the related functions till 30 April 2022. Due to poor progress in providing housing assistance, construction of houses by the beneficiaries was also in poor level and out of 381 houses; only 03 houses were fully completed.

- (c) 68 Units of goods were given to the 11 Divisional Secretariat divisions of Kegalle District in the year 2005 under 09 types of goods such as dehydrators, bakery ovens, and yoghurt incubators, coconut oil extractors under the Vidatha programme initiated by the Ministry of Technology and Research with the aim of bringing technology to the villages. Regarding that period (2005 to 2020), it could not be recognized that the Kegalle District Secretariat has done sufficient coordination for the implementation of the Vidatha programme. According to the information obtained from the distribution centers at the regional secretariat level, 11 units of goods were auctioned, 5 units of goods were given to other parties, 4 units of goods were destroyed and the remaining 48 units of goods were unused or idle by the time under review and the project was not active now.
- Since these equipments are not compatible with modern technology, most of the equipments have been misused and I will carry out the board of survey related to the year 2021.
- Arrangements should be made to use it for the purposeful tasks of the relevant project.

4. Achievement of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
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There was no information system of the specific identification of sustainable development goals and targets related to the district and the achievement of those objectives and targets and no progress in reaching the sustainable development goals could be identified in timely due to that only the conditions related to the respective years were identified in relation to the sustainable development goals of the development projects carried out in the district.	It has difficult to identify the achievement of the relevant sustainable development goals as various projects are implemented on the basis of the main development programmes of the government such as Gamperaliya and Sapri Gamak programmes and the allocations given by various ministry and departments.	Sustainable development goals and targets related to the district should be identified at the level of the Divisional Secretariat.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
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The number of employees in the District Secretariat was 1566 and the expenditure on salaries and allowances was Rs. 696 million. Aranayaka Assistant Divisional Secretary post and 10 tertiary level post were vacant. There were 98 vacancies in 06 posts at the secondary level and out of that, 79 were Grama Niladharis. There were 17 vacancies related to 4 primary level posts. Although 109 posts of Development Officers were approved under the tertiary level, the actual number was 525, which was an excess of 416 officers.	The Ministry of Home Affairs has informed about the vacancies.	Action should be taken to fill the vacancies.