

## Head 279 Kegalle District Secretariat

### 1. Financial Statements

#### 1.1 Qualified Opinion

Head 279 - The audit of the financial statements of the District Secretariat of Kegalle for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the District Secretariat Kegalle was issued to the Accounting Officer on 19 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 18 May 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is submitted to Parliament in pursuance of provisions in the article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the District Secretariat of Kegalle as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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

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

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

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

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

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

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Secretariat's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer /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 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) There was a difference of Rs. 1,674,053 between the closing balance of the year 2021 and the opening balance of the year 2022 in 04 non-financial asset balances.	These differences will be corrected by obtaining information from divisional secretariats.	Financial statements should be prepared accurately.
(b) The value of 10 generators amounting to Rs.270,000 and an old building amounting to Rs.6,945,000 which had been demolished and removed and not belong to the District secretariat had not been removed from the financial statements.	Measures will be taken to make corrections.	Financial statements should be prepared accurately.
(c) The value of 04 fixed asset balances held in the Ruwanwella Divisional Secretariat had been overstated by Rs.1,000,705 in the Statement of Non-Financial Assets.	Public Accounts Department will be informed and rectification will be done.	Financial statements should be prepared accurately.
(d) 33 buildings owned by the District Secretariat had not been entered in the accounts. The cost of 04 buildings out of those buildings was Rs. 6,852,766 and the cost or assessed value of 29 buildings had not been determined. Similarly, the value of 11 buildings had been overstated by Rs.352,939,402 than the assessed value of them in accounts.	They will be entered in the accounts after receipt of government assessment.	Financial statements should be prepared accurately.

(e) 05 Seva Piyasa buildings amounting to Rs.2,995,042 built in Rambukkana area and 03 vehicles amounting to Rs.26,700,000 owned by Kegalle District Secretariat had not been entered in to accounts.	The concerned officers had been instructed to enter these assets in the account.	Financial statements should be prepared accurately.
(f) Even though the office premises of the Galigamuwa Divisional Secretariat had been assigned to the Ceylon Industrial Development Board in the year 1998, the value of relevant land and buildings amounting to Rs. 62,400,000 had not been entered in the financial statements.	It had not been possible to amend the gazette for re-acquisition so far.	Financial statements should be prepared accurately.
(g) According to the Statement of Imprest Accounts, imprests received within the year had been overstated by Rs. 274,753,336 in the cash flow statement.	Accepted. The corrected statement of imprest accounts is enclosed herewith.	Financial statements should be prepared accurately.

## 1.6.2 Lack of Audit Evidence

There was no evidence to confirm a building amounting to Rs. 28,432,000 entered in the accounts of the Rambukkana Divisional Secretariat, and no deeds had been presented to confirm the possession for the plots amounting to Rs.27,340,000 except the plans.

## 2. Operating Review

### 2.1 Delays in the Execution of Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) 115 out of the 130 Grama Shakti Samithi that had been established in Kegalle district under the Grama Shakti peoples Movement introduced in year 2017 to eradicate poverty were inactive as at 31 December 2022. An amount of Rs. 57,605,311 in the accounts of the Gram Shakti Mother Society and the accounts under the microfinance programme remained idle as at 31	Even though it has been informed to carry out community development activities effectively by spending the money available in the society accounts, it has been informed that many problems have to be faced in the implementation.	Need to be properly planned and utilized.

December 2022 without being used for the intended purpose.

- |     |  |   |  |
|-----|--|---|--|
| (b) | <p>An amount of Rs.150,505,800 had been paid for resettlement of 154 families affected by the landslide risk in Kegalle district in year 2016. However, the success of the resettlement project was problematic due to the fact that settling in the same risky house, not completing the house work according to the paid amount, selling the purchased land and the completed house, and not starting the work even though the money had been given. Similarly, an amount of Rs.393,161,033 due from the year 2016 to the year 2021 for the resettlement of those families because of these landslides had not been paid until 31 December 2022.</p> | <p>Even though the provisions had been made from the year 2016 to 2021, the payment could not be made due to the fact that a situation that the related payments could not be made had been arisen because of the factors such as, living in the risky house, not completing the house work in accordance with the amount paid, and not starting the work even though the money has been given etc.</p> | <p>A proper study should be done in this regard and appropriate decisions should be taken.</p> |
| (c) | <p>The programme of “A Plant by Everyone” for planting 75 million saplings ,implemented throughout the island in order to increase the forest cover of the island by 32 percent by year 2030, had not been implemented in Kegalle district.</p>  | <p>Informed that the programme could not be implemented.</p>  | <p>Priority should be given for such programmes.</p>   |

## 2.2 Non-achievement of expected Outcome

### **Audit Observation**

An amount of Rs. 808,432 had been spent for 1476 chicks and other infrastructure facilities for the establishment of poultry farming villages in the Galigamuwa Divisional Secretariat division. However, an amount of Rs. 2,941,108 had been spent from those funds for construction of 06 roads which have no relation to the project objectives, and it was a percentage of 264 percent of the expenditure for targeted needs.

### **Comments of the Accounting Officer**

The approval of the Ministry has been obtained for the same, and the Divisional Secretary has informed that it will facilitate the beneficiaries for their production and sales.

### **Recommendation**

Plans should be prepared by giving priority for the project objectives.

### 2.3 Projects abandoned without completing

#### Audit Observation

4204 projects with an estimated cost of Rs. 589 million that were to be completed under all the Divisional Secretariats had not been completed and 65 projects amounting to Rs. 30 million had been partially completed.

#### Comments of the Accounting Officer

It is expected that it will be possible to finish it at least in the next year due to the Corona epidemic situation prevailed in the country.

#### Recommendation

Those projects should be carried out in the future by giving priority to the basic needs.

### 2.4 Delays in the Execution of Projects

#### Audit Observation

Following are the facts that observed regarding the acquisition of land adjacent to the Dehiovita Deraniyagala road for a road development project.

#### Comments of the Accounting Officer

#### Recommendation

(a) No measures had been taken to conduct compensation investigations for 52 plots of land since the year 2014 till now, under the Section 9 of the Land Acquisition Act, and necessary steps were not taken to assess 112 plots of land that had been investigated.

Surveyed again, and the mistakes were corrected and sent to the Valuation Department.

Valuation reports should be obtained and compensation investigations should be conducted expeditiously.

(b) Even though it had been submitted to the Road Development Authority to receive compensation amounting to Rs.15,658,038 for 32 plots in the year 2022, the amount was not received until 31 December 2022.

The Divisional Secretary has informed that compensation payments will not be notified by the Road Development Authority.

Follow ups should be conducted on the progress.

(c) Even though the Road Development Authority had been informed in the year 2021 to receive the interest money related to the compensation amounting to Rs.65,109,388 paid for the land, the amount was not received until January 2023.	The Divisional Secretary informed that compensation payments are not notified by the Road Development Authority.	Follow ups should be conducted on the progress.
(d) No measures had been taken register 30 plots of land for which compensation and interest had been paid as per Section 44 (1) of the Land Acquisition Act.	Stationery has been requested from the Road Development Authority due to shortage of stationery. The Divisional Secretary has informed that further actions will be taken as soon as receiving them.	Registration should be done in terms of Act.

## 2.5 Projects without Progress despite the release of Money

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) An amount of Rs.1,264,994 had been allocated for the promotion of honey production by the Warakapola Divisional Secretariat. However, apart from distributing the equipment purchased for Rs.393,050 to the beneficiaries, no other measures had been taken to popularize honey production. Similarly, 84 different equipment including 67 bee boxes remained unused since the date of purchase.	The Divisional Secretary has informed that the 67 bee boxes were unusable and the beneficiaries will be trained and the remaining colony boxes will be distributed.	Measures should be taken to achieve project objectives.
(b) The development of Polgaswatta playground in Deraniyagala Divisional Secretariat division had been completed in July 2021. However, the amount of Rs.1,470,100 spent for its development was wasted since the playground had become unused and abandoned even by October 2022.	The divisional secretary has informed to repair it and use for sports as it belongs to the Deraniyagala Local Authority.	Follow ups should be conducted on the projects.

- |     |   |   |  |
|-----|---|---|--|
| (c) | Even though the Aranayaka Divisional Secretariat had provided equipment to 43 beneficiaries under the Spice Production Village Project, the Cost of equipment amounting to Rs. 3,991,600 given to 34 of them had been a wasted expense as they had abandoned their production activities. | The Divisional Secretary informed that equipment of those beneficiaries will be taken back and will be given to those who want to join the project.   | Right beneficiaries should be identified and accurate plans should be prepared and projects should be implemented. |
| (d) | Even though Rs. 990,000 had been spent on the development of a playground in Bulathkohupitiya Divisional Secretariat division, it could not be used since 80 cubes of demolished granite were piled up in the middle of the playground for about a year until December 2022.              | The Divisional Secretary of Bulathkohupitiya has informed that the plantation superintendent has stated that the granite will be removed immediately. | Assets should not be idle.   |

## 2.6 Transactions in Contentious Nature

### **Audit Observation**

The order for purchasing 222,671 tea plants had been handed over 18 days before receiving the decision of the procurement committee held by the Deraniyagala Divisional Secretariat. However, the purchase price of Rs. 6,169,198 has not been paid still as the tea plants are contrary to the recommendations and order conditions of the Small Tea Estate Development Authority. Similarly, an Agricultural Consultant had been appointed to the Technical Evaluation Committee instead of an officer with expertise related to tea cultivation.

### **Comments of the Accounting Officer**

Accepted. An inquiry is being conducted at the ministerial level in this regard.

### **Recommendation**

Measures should be taken according to procurement rules and regulations.



## 2.7 Losses and Damage

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) A loss amounting to Rs. 422,970 incurred due to purchasing 43 sewing machines by the Yatianthota Divisional Secretariat rejecting the minimum price with no reason.	Procurement decisions had been given by the District Secretariat only for 30 MCZJ 9513 machines.	The reasons should be given if the minimum bids are rejected.
(b) Equipment amounting to Rs.4,747,300 and 5848 chicks had been distributed by the Mawanella Divisional Secretariat under the Project for establishment of Poultry Farming Villages. Subsequently, 4,458 chicks, or 76 percent of the number purchased, had died due to some disease. The reason for this was that the purchase had been made without any kind of technical evaluation except price evaluation by the Technical Evaluation Committee.	The purchase had been made on the recommendations of the Veterinary Officers, the recommendations of the Technical Committee and the approval of the District Secretary. Creatures died from Foxcy, and chicks are occasionally purchased as replacements.	Procurement should be done according to procurement rules and regulations.

## 2.8 Assets Management

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) 06 partially completed Seva Piyasa centers in Galigamuwa Divisional Secretariat division worth Rs.1,938,425 had not been completed until December 2022.	The Divisional Secretary has informed that the work can be completed after the provision is recieved.	Provisions should be obtained and then the work should be completed.
(b) The construction of multi-purpose buildings for Sewa Piyasa and various industries had been abandoned due to non-availability of provisions. Therefore, an amount of Rs. 8,569,900 spent till the completion of the construction had become uneconomic expenses.	It is informed that priority will be given for all these buildings and measures will be taken to make allocations and complete their work.	Provisions should be obtained and then the work should be completed.

### 3. Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>Even though 1910 trainees of the Multi-Purpose Development Task Force had been recruited for the divisional secretariat offices in Kegalle district, 452 of them had left by 31 December 2022. Even though allowances of Rs.1,130,448,384 had been paid to them from the year 2020 to the year 2022, permanent appointments in the grade of PL-01 had not been given after six months of training, and also no measures had been taken to make them engaged in vegetable and fruit production using agricultural technology in government farms and abandoned lands.</p>	<p>The NVQ 3 exam must be passed in order to complete the training, and those exams had been conducted by the end of the first quarter of 2022. They are attached to government institutes on temporary basis until receiving results. However, it is informed that no decision had been taken by the Department of Multi-Purpose Development Task Force to engage them in cultivation activities in government farms and abandoned uncultivated lands as per your observations.</p>	<p>Considering the current economic situation in the country, the officers of the Multi-Purpose Development Task Force should be directed to boost the economy.</p>