

Head 278 – District Secretariat, Ratnapura

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Head 278 – District Secretariat, Ratnapura 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 including my comments and observations on the financial statements of the District Secretariat, Ratnapura was issued to the Accounting Officer on 09 May 2023 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report relating to the District Secretariat in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 08 May 2023. This report will be presented 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, Ratnapura as at 31 December 2022, and its financial performance and cash flow 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 (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities 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 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 such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the District Secretariat exists, 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 the 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, 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 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

I express the following matters in accordance with 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 for the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) A sum of Rs. 1,566,312 paid in the year under review for installing shelves at the record room, had not been capitalized.	Having been considered as a modification, the sum had been brought to accounts under buildings and constructions.	Should be brought to accounts correctly.
b) The sum spent for purchasing machinery had been understated by Rs. 410,433 as against the value as per the trial balance.	A double accounting error caused by two Divisional Secretariats.	Should be brought to accounts correctly.

- c) According to This had been attributed by The financial statements information relating accounting errors caused at 02 should be reconcilable to 18 Divisional Secretariats. with information of sub-Secretariats including the District Secretariat, the total of non-financial assets had been overstated by Rs. 45,905,518 as against the financial statements of the District Secretariat. institutions.
- d) The value of Corrective measures will be taken Should be brought to acquisition of capital when preparing financial reports accounts correctly. assets had been for the year 2023. overstated by Rs. 14,956,813 in the cash flow statement as against the financial statements.

2. Financial Review

2.1 Incurring Liabilities and Commitments

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Commitments valued at Rs. 6,546,034 had been incurred with respect to 07 Objects contrary to Financial Regulation 94 (i) and Paragraph 2(a) of the State Accounts Circular No. 255/2017 dated 27 April 2017.	This had been caused by lack of receipt of bills, and lack of Treasury provision.	The relevant Laws and Rules should be followed.

2.2 Issue and Settlement of Advances

Audit Observation	Comment of the Accounting Officer	Recommendation
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The loan balance of Rs. 2,483,201 receivable from 18 officers who had been transferred, retired, deceased, interdicted or had vacated the service, remained outstanding for periods ranging from 05 months to 14 years.	Action will be taken for recovery of the loan balances.	Loan balances should be recovered without delay.

3. Operating Review

3.1 Delays in Implementing Projects

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) Although 2434 families had been identified in the divisions of 16 Divisional Secretariats to be provided with lands during the period 2017-2022, lands had not been provided for 791 families until 31 December 2022.	This was caused by reasons such as, no recommendations had been made by the proposed National Buildings Research Organization, sale of lands, lack of interest of the beneficiaries to reside at those lands, and legal issues.	Action should be taken to grant lands by obtaining surveyor's reports for the lands acquired.
b) The sum payable for houses damaged due to floods and landslides, totaled Rs. 464,881,102 as at 31 December 2022. A balance of Rs. 312,437,884 that remained outstanding during 2017-2019, was also included therein.	This was attributable to reasons such as, non-receipt of provision and imprests, providing incomplete applications, and failure to send applications.	Payments should be made as soon as the receipt of imprests.

3.2 Projects not Implemented Adequately

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>a) A sum of Rs. 28,925,000 had been granted by 05 Divisional Secretariats during the years 2021 and 2022 to 63 beneficiaries as housing assistance. No files had been maintained in that connection, and there were instances in which no requests had been made by the beneficiaries. Furthermore, loans had been issued for 24 lands the titles of which had not been settled. As loans had been issued irrespective of matters such as minimum number of members in a family, priority being given to widowed or disabled persons, and disregarding the recommendation of Technical Officers, it remained doubtful as to whether loans had been issued to the eligible beneficiaries.</p>	<p>Corrective measures will be taken on those inefficiencies in due course.</p>	<p>Assistance should be given by verifying that the necessary conditions have been fulfilled.</p>
<p>b) As banks of 02 canals in Kuruwita had not been prepared properly, and the canal had become lower than the paddy fields after being dug, flow of water into the paddy fields had been hampered. Hence, the sum of Rs. 1,941,748 spent thereon had not yielded considerable progress.</p>	<p>Only silt had been removed from once canal. Instructions had been given to the Technical Officers to avoid similar situations in the future.</p>	<p>A sufficient utilization of funds should be ensured.</p>

3.3 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) Forty seven miscellaneous machines and equipment including 03 vehicles and water pumps pertaining to 05 Divisional Secretariats, remained unused for 05 years.	Action will be taken in due course as per instructions of the District Secretary.	Assets should not be kept idle.
b) Seventy nine Government buildings in 10 divisions of Divisional Secretariats, remained unused.	This was due to dilapidation, and risk of landslides.	Assets should not be kept idle.

3.4 Losses and Damages

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) A sum of Rs. 209,383 had been paid for 04 CCTV cameras that had not been received by the District Secretariat.	The contractor had been instructed to install those cameras.	Payments should be made only after the works being certified.
b) Due to insufficient internal width of the elevator installed at the District Secretariat, a sum of Rs. 212,273 had been paid for works not done.	A sum of Rs. 26,786 will be deducted from the contractor.	A sum of Rs. 212,273 should be recovered.
c) Had the goods been purchased at once by considering overall requirements, a favorable price would have been obtained as a large number of units would have been purchased. However, an overpayment of	Purchases could not be made due to reasons such as, outbreak of the pandemic, import restrictions, and scarcity of stocks at the market.	Activities should be well-planned.

Rs. 1,475,600 had been made as 32 computers had been purchased from time to time.

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| d) | An overpayment of Rs. 590,886 had been made for 07 works executed by 02 Divisional Secretariats and the District Secretariat. | Instructions had been given to the officers to deduct the overpayment from retention monies and avoid the recurrence of such inefficiencies. A sum of Rs. 119,906 had not been overpaid for one work. | Overpayments should be recovered. |
| e) | A period of 14 months had elapsed as of March 2023 since a damage of Rs. 4,143,204 occurred after a fire broke out in the electric distribution board of the District Secretariat. Nevertheless, action had not been taken in terms of Financial Regulation 104 to recover the damage and determine the parties responsible. | Further action is being taken in this connection. | The Financial Regulations should be followed. |

3.5 Uneconomic Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) Construction of a building at the "Purana Gal Len Viharaya", Holipitya, Kiriella had been abandoned after erecting 12 concrete posts; hence, the sum of Rs. 346,318 spent thereon had become uneconomic.	Instructions had been received from the Ministry of Finance to suspend the non-essential projects in the wake of economic crisis.	Works executed halfway should be completed.

- b) Due to lack of water and electricity, the Seva Piyasa building in Kahengama, Kuruwita, had remained unused over a period of one year. As such, the sum of Rs. 1,165,048 spent thereon, had become uneconomic. Necessary action will be taken in due course. Development projects should be implemented productively and effectively.
- c) A sum of Rs. 1,164,000 had been spent in June 2022 to renovate the dam supplying water to 20 acres of barren paddy fields in Halgas Yaya, Batugedara, Ratnapura expected to be cultivated. Nevertheless, a thicket of 1^{1/4} acres had only been cleared by 02 farmers even by September 2022, with no other progress. The agrarian service office and the irrigation engineer's office had been apprised of this matter. Development projects should be implemented productively and effectively.
- d) The Dryer worth Rs. 400,000 and the drying center constructed at a cost of Rs. 1,891,548 in the year 2021 under the project implemented in Ratnapura to cultivate cardamom organically, had remained unused from the inception. A Feasibility study had not been conducted for this project, nor had any follow up action on the progress been taken thereon. It was verified in the physical inspection that there were about 20 families cultivating 02-03 plants of cardamom for personal use in the area where project had been implemented. Action will be taken in due course for this project to become successful. Benefits should be reaped in relation to the funds spent.

3.6 Fruitless Expenses

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>a) A number of 785 pullets had been distributed by the Divisional Secretariat, Kahawatta, and 75 per cent of them or 589 chicks had died due to diseases during the initial period. Hence, the sum of Rs. 270,940 spent to purchase them, had become fruitless. In average, the ratio between the hens and roosters should be 9:1 though, that value was as unrealistic as 3:2. This was due to the lack of supervision of an officer with expertise on livestock resources from the inception of the project.</p>	<p>Due to reasons beyond scope of the beneficiaries and difficulties of the beneficiaries to visit the office of the veterinary surgeons often, the goals could not be achieved.</p>	<p>Development projects should be implemented productively and effectively.</p>
<p>b) Even before lapse of a year since a canal had been dug with banks built on either sides, the banks had become broken and encroached by wilderness showing no signs whatsoever of such a work. As such, the sum of Rs. 1,892,459 spent thereon, had become futile.</p>	<p>The Agrarian Development Officer had been instructed to maintain the canal properly.</p>	<p>Development projects should be implemented productively and effectively.</p>

3.7 Management Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) Despite being reported by the National Buildings Research Organization that there had been a 45 per cent possibility of landslides for the land proposed to be used for constructing the new Divisional Secretariat, Kiriella and the official quarters, acquisition of that land is still in progress.	The Organization will be requested to examine the land again.	Attention should be brought on the risk of landslides thus taking necessary measures.
b) The Ministry which provided provision, instructed that labor and machinery should be obtained from the local authorities in the development of 02 playgrounds. However, that task was done through contractors by making payment of Rs. 823,902.	The Pradeshiya Sabha has been queried in this regard, and once the reply is received, the progress will be informed.	The relevant instructions should be followed.

3.8 Operating Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) A number of 627 deposits the value of which totaled Rs. 54,398,346 , continued to exist over 02 years at 07 Divisional Secretariats and the District Secretariat, had not been settled.	This was caused due to non-receipt of imprests.	The Financial Regulation 571 should be followed.

- b) As for the issue of permits and grants by the Divisional Secretariats during the year 2022, the process of regulating the encroached lands in Ratnapura district showed poor performance due to reasons such as, failure to conduct land kachcheris at 02 Divisional Secretariats, the number of land kachcheries conducted at 06 Secretariats remained as low as 04-06, and failure of 02 Secretariats in identifying the extent of lands to be regulated out of the encroached lands. Regulating the lands will be done formally in due course. The said process should be completed without delay.
- c) Of the total loans granted by 13 Samurdhi banks in 04 divisions of Divisional Secretariats, a loan balance of Rs. 162,205,520 remained due with doubtful debts amounting to Rs. 45,244,077 as at 30 November 2022. Nevertheless, a formal procedure had not been put in place for the recovery of those balances. Action will be taken to conduct disciplinary inquiries and recover the loans. Action should be taken for the prompt recovery of outstanding loan balances.
- d) Repairing the Palawela-Dimiyawa road and Millakade temple road pertaining to the Divisional Secretariats of Elapatha and Kiriella had been completed in the year 2019. Nevertheless, defects and cracks existed on those roads. Although a sum of Rs. 919,499 had been retained for repairing those defects, it had not been so. The Road Development Authority has been queried in this connection.
- Action should be taken against the contractor who failed to complete the project in compliance with the standard.
 - Action should be taken to promptly repair the road.

done even after four years since 2019.

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| e) | Pensions amounting to Rs. 10,180,455 had been overpaid by 09 Divisional Secretariats as at 15 December 2022. | Recovery is in progress. | Overpayments should be recovered without delay. |
| f) | Securities had not been obtained from 33 officers who should have given securities relating to 09 Divisional Secretariats. | Action is taken for obtaining securities. | Securities should be obtained in terms of Financial Regulation 880. |

3.9 Transactions of Contentious Nature

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) Despite being informed by the Ombudsman that it was erroneous to write off the damage of Rs. 292,897 caused on a vehicle pertaining to Divisional Secretariat, Eheliyagoda, that balance was written off from the books.	A Board has been appointed to conduct an inquiry again in this connection.	Action should be taken without a delay.
b) Due to failure of the board of interview to exercise their responsibility properly, the appointment of the Registrar of births, marriages, and deaths, made for the division of Divisional Secretariat, Imbulpe, remained controversial.	Not commented.	The interviews should be conducted impartially and properly.
c) Building rents totalling Rs. 2,671,760 collected during 2013-2022 from the cafeteria and welfare shop maintained at a building of the District Secretariat, had been provided for a welfare association. Those lease	Action will be taken to credit the lease rents of the ensuing months to the Government revenue and settle the water and electricity bills.	Government revenue should be recovered without delay.

rents had not been recognized as a Government revenue, and the legal possibility of providing a welfare association with lease rents collected from a Government building, could not be verified. Furthermore, the same contractor has been maintaining the cafeteria since the year 2020 without following the tender procedure, and he had defaulted on the settlement of water bills valued at Rs. 60,533 relating to the years 2022 and 2023 whilst electricity bills of the welfare shop amounting to Rs. 35,459 had not been settled as well.

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Action had not been taken either to obtain the necessary approval by identifying the service requirements of 197 excess employees or attach them to another institution productively.</p>	<p>Those attachments had been made by the Line Ministry irrespective of the number of existing vacancies.</p>	<p>Approval should be obtained on those posts in terms of Financial Regulation 71.</p>

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