

## **Head 278 – District Secretariat -Ratnapura**

### **1. Financial Statement**

#### **1.1 Qualified Opinion**

The audit of the financial statements of Head 278 – District Secretariat - Ratnapura for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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 - Ratnapura was issued to the Accounting Officer on 22 April 2024 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 19 April 2024 in terms of Section 11(2) of the 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 - Ratnapura as at 31 December 2023, 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 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**

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 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 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) That 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 the 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.12,739,097 in comparison of savings in provisions of 19 expenditure objects according to the treasury print out with the departmental expenditure ledger.	That there is a difference in the financial statement and expenditure ledger.	It should be correctly accounted.
(b) There was a difference of Rs.543,865 in comparison of the cost of purchase of assets in the year 2023 according to the financial statement with the statement of non-financial assets.	That the assets which were not included in the CIGAS program were caused for this.	Financial statements should be comparable with source documents.
(c) There was a difference of Rs.10,102,695,624 between the balance of property plant and equipment as on 31 December 2023 according to the financial statements of 18 Divisional Secretariats including the District Secretariat and the balance as per the financial statements.	That the action will be taken to correct the difference.	- do-
(d) There was a difference of Rs.10,106,440,909 between the opening balance of the Property Plant and Equipment account as on 31 December 2023 according to the statement of financial position and the value as per the statement of non-financial asset as on that date.	That it will be corrected by journals.	- do-

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| (e) | There was a difference of Rs.900,000 between the imprest received from the Treasury as on 31 December 2023 according to the trial balance and the balance as per the financial statements for that day.         | That it will be discussed with the Treasury and corrected.  | - do-                             |
| (f) | The cash generated from the sale of physical assets in the year 2023 had been stated in the cash flows statement less by Rs.179,645 as per the Board of Survey report.  | This deficiency was caused by not being included in the correct revenue head.   | It should be correctly accounted. |
| (g) | There was a difference of Rs.6,589,597 between the balance of settlement of imprest by expenditures and the balance in the trial balance as per the declaration of imprest account in the financial statements. | That this was due to the non-clearance of the imprest sent to the Treasury, the incorrect inclusion of the imprest in the CIGAS system, and the presence of an unsettled imprest. | It should be correctly accounted. |

## 2. Financial Review

### 2.1 Entering into Liabilities and Commitments

#### Audit Observation

Non-complying with Financial Regulation 94(i) and Budget Circulars No.01/2023 and 02/2023 dated 27 January 2023 and 02 February 2023 respectively, it has been bound to a liability of Rs.1,924,022 exceeding the balance provisions in 1101 expenditure object. Also, the liabilities of Rs.6,211,736 mentioned in the financial statement were not updated in the CIGAS system.

#### Comments of the Accounting Officer

That all liabilities were recorded to advise that all liabilities should be included in the CIGAS system by 31 December.

#### Recommendation

Action should be taken according to Circulars.

## 2.2 Issuance and Settlement of Advances

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
A loan balance of Rs.1,331,290 was to be charged from 12 officers who had been transferred, who had passed away and passed 02 months to 40 months, who had been suspended but had not charged any installment from 01 month to 11 years after recovering the last installment, who had retired and passed 01 month to 07 months.	That the action will be taken to recover the loan balance.	Loans should be charged as per Circular.

## 3. Operations Review

### 3.1 Delays in Execution of Projects

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Although the families identified to provide alternative land between 2017 and 2023 in 17 Divisional Secretariat Divisions were 2494 out of which 736 families had not been received land until 31 December 2023.	This was due to non-recommendation of selected lands by the National Building Research Organization, reluctance of individuals to move out of previous places of residence, difficulty in finding land etc.	Actions should be taken to provide the land currently acquired.
(b) The value that should be paid for houses damaged due to floods and landslides between 2017 and 2023 was Rs.338,402,363 as of 31 December 2023. From A balance of Rs.312,437,884 that should be paid during 2017 to 2019 was also included in this balance and the reason for this delay was the lack of adequate provision for compensation.	Non-receipt of necessary provisions and funds.	Action should be taken to pay this compensation promptly.
(c) Although the total of 356 development projects worth Rs.90 million were planned to be completed in the year 2023, only 07 projects worth Rs.3.2 million had been completed.	Delay in project approvals, lack of suitable contractors, rise in the prices of construction materials etc. were the reasons for this.	All possible efforts should be made to complete the relevant projects during the year.

### 3.2 Projects not Performed Adequately

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Due to non-commencement of 03 projects to remove obstructions in canals under disaster mitigation project, the total provision of Rs.550,000 was reassigned. Also, Rs.1,934,997 had been incurred by the government expenditure for the cleaning of 04 canals which could have been done through community contribution. It was uncertain whether the cost incurred in implementing such projects would benefit to cost incurred, whether disaster mitigation objectives would be met and whether their follow-up would be carried out correctly.	Due to heavy rains, the officers were informed to reassign the provisions and inform the farmer organizations and take actions to get community contribution.	Needs should be identified and projects should be implemented properly.

### 3.3 Asset Management

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) A total of 107 government buildings in 12 Divisional Secretariat was unused.	The reason for this was the deterioration and the risk of landslides.	Assets should not be unused.
(b) The 10 vehicles in 06 Divisional Secretariats were unused for 03 years to 06 years.	That the further work is underway.	- do -
(c) Out of the 38 government houses owned by the District Secretariat, 07 houses were in unused for more than 5 years and the houses were covered with forest and the doors and windows were taken away by thieves. These houses were used for various malpractices, including drugs, and there was a risk of encroachments settling down. There was also a delay in getting government houses for 77 officers on the housing waiting list.	That these houses could not be repaired as no provision has been received.	- do-

### 3.4 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The 34 pensioners who have died in 06 Divisional Secretariats have been given Rs.2,431,492 as pensions due to the failure of the Grama Niladhari to inform about the deceased pensioners as per the Pension Circular No.19/2006 dated 15 December 2006.	That the action will be taken to recover.	Responsible parties should be identified and necessary action should be taken.
(b) Rs.16,763,098 was to be recovered as of 22 December 2023 from the additional pension paid to 131 pensioners in 13 Divisional Secretariat Divisions.	That it is being charged.	- do -
(c) Rs.298,116 had been paid to prevent damage to the District Secretariat building from termites. However, termites were emerged and files and documents had been destroyed. By the year 2023, although five years had passed out of the 10-year warranty period, remediation had not been taken from the contractor during that warranty period.	That the contractor was instructed for this.	Necessary actions should be taken immediately for the safety of the building.

### 3.5 Uneconomic Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
Instead of selecting a contractor by calling for national competitive bidding in accordance with guideline 3.2.1 of the Government Procurement Guidelines for the Pipe Laying Project at Kuruwita Nalanda Ellawala Industrial Estate, the contract worth Rs.11.96 million was divided into 04 parts and handed over to community based organizations. Also, instead of studying the application of the existed soil during the pipe laying and replenishment, due to replenishment of drain using expensive sand, it had been incurred a huge cost of Rs.9.67 million from contract value i.e. about 87 percent.	That the project was handed over to qualified societies and that soil testing was not carried out.	Attention should be paid to government procurement guidelines and incurring expenditure.

### 3.6 Useless Expenditures

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A total of 10522 chicks had been provided to 973 family units in 9 Divisional Secretariat areas. This project had been unsuccessful due the facts that, 3288 chicks worth Rs.1,489,500 had died out of this, the government veterinary recommendation was not obtained before the purchase of the chicks, there was no follow-up, no eggs were laid by giving other food due to the cost of food, the rate of one male chick per 09 female chicks was not followed according to the procurement specifications etc.	That the intended objective has not been achieved due to uncontrollable reasons for the beneficiaries such as natural disasters, illnesses, etc., as well as the lack of experience in the project to the beneficiaries.	Development projects should be carried out efficiently and effectively.
(b) Although the 598 kg of green gram seeds worth Rs.691,324 were distributed to 119 families in 05 Divisional Secretariat areas expecting a yield of 19623 kg, the yield received was 5695 kg. The project had failed due to the facts that, improper seed, high quantity of yak green gam seeds in the crop, and lack of evaluation of the necessary criteria in the selection of farmers and cultivated areas.	That the climate changes and animal hazards have affected this situation.	- do-
(c) The 33300 cinnamon plants were provided to 20 family units in Balangoda area at a cost of Rs.799,200. A total of 8100 plants were tested as a sample and 2250 plants i.e. 28 percent had been died. Although there was an acute water shortage in that area, the reason for this was the lack of environmental studies.	That the severe drought caused.	- do -
(d) A stage made of wood with a high finish is a basic requirement of a Cultural Center. Nevertheless, the stage of Opanayake Cultural Center was not built to a standard. Planks were scattered on the stage frame and many of them were rotten. Also the recommendations of technical officers who certified the	As the withholding money has not been released, necessary arrangements will be made.	- do -



construction of this platform as correct are problematic. Dance and variety shows are the primary presentations of a cultural center. Nevertheless, as none of such basic requirements could be fulfilled by this cultural center, the amount of Rs.4,110,568 spent on this building was useless until a standardized stage was constructed.

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| (e) | Although the construction of the temple at Wevelkandura Horton estate had started in the year 2022, its construction was not completed. By now, Rs.290,899 spent had become a useless expense because the land was overgrown with weeds. | That this was caused by the increase in the price and lack of construction materials. | - do - |
| (f) | The CCTV camera system installed in the district secretariat in the year 2022 at a cost of Rs.18.5 million has been idle for more than a year.   | Other devices will be taken and activated.  | - do - |

### 3.7 Management Weaknesses

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) In accordance with the Extraordinary Gazette Notifications No.1600/18 dated 06 May 2009 and No.2216/34 dated 25 February 2021, the fees on the size of the cube had not been charged in addition to the royalty related to that mineral while granting licenses for mining of sand, black stone, pelspar, thirivana, calcite and dolomite on government lands by the 04 Divisional Secretariat offices.	That the recovery process will be done immediately.	Action should be taken as per the relevant gazette notification.
(b) The resettlement activities could not be completed due to non-approval of building applications of 22 houses constructed at a cost of Rs.25,850,000 since 2017vby the Kuruwita Provincial Council.	That the approval has not yet been received.	Necessary approvals should be obtained immediately.

(c) Bank accounts with a balance of Rs.3,377,579 in 06 Divisional Secretariats were unused for a period of 06 months to 04 years.	That the loans will be provided in the future.	Bank accounts should be activated.
(d) The Divisional Secretary had not been taken over the ownership of 112 government lands where Grama Niladhari offices are located in 11 divisional secretariat area of authority.	That the efforts are being made to resolve.	Ownership of assets should be taken over.
(e) Opanayake Divisional Secretariat is implementing a computer program in collaboration with a private agency from the year 2022. That company was a selected entity without calling quotation and consideration of specifications. Although this computer program has been used for 19 months, it has not been entered into an any kind of contract and approval has not been obtained from the District Secretariat or any other form.	That the system will be used in a systematic manner after obtaining written approval.	Projects should not be executed without approval and contract.

### 3.8 Operational Weaknesses

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Goods and plants worth Rs.21,302,688 were distributed in 2021 to 521 beneficiaries in four Divisional Secretariats for the empowerment of poor families. As of November 2023, although more than two years had passed since the distribution of these items and plants, any follow-up had not been carried out by the Divisional Secretariats and identifying the empowered beneficiaries or system to identify had not been devised.	That empowerment and follow-up activities are underway.	Development projects should be carried out efficiently and effectively.
(b) Loan arrears less than 9 months and bad debts over 9 months that was given by 36 Samurdhi Banks operating in 13 Divisional Secretariats were amounted to Rs.357,478,987 and Rs.208,148,406 respectively as at 31 December 2023.	That the actions are underway to recover the debt.	Actions should be taken to recover bad debts and matured debts.

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| (c) | Although about 02 years has been passed as at December 2023 from the Rs.8,083,133 of goods and plants were distributed to 184 Samurdhi beneficiaries in Alapatha area, the beneficiaries had not yet been identified as empowered. | That the actions will be taken to empower in the future. | Projects should be monitored in a systematic manner. |
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### 3.9 Controversial Transactions

#### Audit Observation

An informal financial committee was formed for the Amadahara Poson Zone - 2023 organized by the Embilipitiya Divisional Secretariat and Rs.1,304,000 had been collected from the public without issuing receipts against Financial Regulation 170(2). Out of that amount, Rs.1,296,446 had been spent without procurement and preparation of vouchers.

#### Comments of the Accounting Officer

That there has been no intervention from the Divisional Secretariat and all the necessary funds have been made by the private sponsors.

#### Recommendation

Formal action should be taken against the relevant officers.

### 4. Human Resource Management

#### Audit Observation

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| (a) | Regarding the 342 surplus employees, action had not been taken to identify the service requirement and taken the approval of the Department of Management Services or effectively assigned to other institutions. | (b) | Although Rs.175,676,491 had been paid in the year 2023 for the multipurpose employees attached to 08 Divisional Secretariats, the specific assignment had not been assigned. However, instead of using them for security and cleanliness services, the work was handed over to external agencies and Rs.7,688,762 had been paid for the year 2023. |
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#### Comments of the Accounting Officer

This work is beyond the control of the District Secretary as instructed not to consider any officer as excess.

That the necessary work is underway and security and cleaning services have been obtained as per the tender procedure.

#### Recommendation

Relevant positions should be approved.

Expenses should be managed.