

Head 259 - District Secretariat, Matale

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head-259, District Secretariat, Matale 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 a summary of significant accounting policies, 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 these financial statements of the District Secretariat, Matale in terms of Section 11(1) of the National Audit Act, No.19 of 2018 was issued to the Accounting Officer on 17 May 2024. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 17 May 2024 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 District Secretariat, Matale 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 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

In terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018, I express the following matters.

- (a) The financial statements submitted to the audit were not consistent with the previous year's financial statements as per the audit observation stated in 1.6 (a) of this report.
- (b) The recommendation I had made in paragraph 1.6 (a) of the report relating to the financial statements for the preceding year had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) When comparing the closing balances of other machinery and equipment included in the financial statements as at 31 December of the preceding year with the opening balances of the financial statements for the year under review, a difference of Rs.181,046 was observed.	The officers were informed to prevent these errors hereinafter.	Actions should be taken to rectify account balances.
(b) Although an expenditure of Rs.1,792,665 had been incurred for the acquisition of capital assets mentioned under the category of other plant and equipment assets in the Statement of Non-Financial Assets (SA-82), the amount spent for the purchase of furniture and office equipment and plants and machinery was Rs.1,964,341 according to the statement of expenditure included in the financial statements for the year under review, resulting in a difference of Rs. 176,676.	This is an error in preparing the asset files of the Ratthota Divisional Secretariat.	Accounting errors should be compared and rectified.

2. Financial Review

2.1 Non-compliance with laws, rules and regulations

Instances of non-compliance with laws, rules and regulations observed during the course of audit test checks are analyzed below.

	Reference to laws, rules and regulations	Observation	Value Rs.	Non-compliance	Comment of the Accounting Officer	Recommendation
(a)	Regulation 1646 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	-		The Daily Running Charts of 03 vehicles belonging to the District Samurdhi Division had not been furnished for audit for a period of 10 years.	It has been communicated to submit running charts to the audit.	Actions should be taken in accordance with Financial Regulations.
(b)	Public Administration Circulars					
(i)	Paragraph 1.7 of Letter No. HAF-3-MISCL-08-08 dated 24 July 2012	-		Even though every Grama Niladharee offices should be inspected at least once in 03 months, 24 Grama Niladharee offices and 12 Development Officer offices in Matale district had not been so inspected.	It has been informed to conduct inspections after preparing annual plans from the year 2024	Circular instructions should be followed.

- (ii) Paragraph 04 of Circular No. 08/2021 dated 13 August 2021 and Paragraph 02 of Letter No. HAF-2/19/MGTCM/15/1907 dated 31 March 2011. 170,300 Although traveling expenses and combined allowances should not be paid to officers appointed to act in vacant positions such combined allowances and traveling expenses had been paid to 07 acting officers of 05 Divisional Secretariats and the District Samurdhi Office. Traveling expenses and combined allowances have been paid subject to the conditions outlined in the Establishments Code. Circular instructions should be followed.
- (iii) Paragraph 03 of Circular No. 20/2021 dated 06 October 2021 - Although income from all sources should be credited to government revenue, an amount of Rs. 92,000 had received to the welfare society as monthly rent from the canteen maintained in the Dambulla Divisional Secretariat premises had not been credited to government revenue. Requests have been made to the Department of Valuation to assess the buildings and after the valuation, the rent will be credited to the government revenue. Circular instructions should be followed.

- (c) Paragraph 1 of Ministry of Defense Circular No. 2023/04 dated 19 September 2023 - Although it had been stated that all firearm licenses in the district should be renewed for the year 2024 before 31 December 2023, sixty individuals in the Divisional Secretariat Divisions of Galewela, Dambulla and AmbangangaKorale had not renewed their firearms licenses even by February 2024. The prescribed license fee and fine will be recovered in the near future. Circular instructions should be followed.
- (d) Section 3.5 of the Government Procurement Guidelines 2006 and Section 9.3 as amended by Supplement 38 dated 21 January 2021. - A cab in the Wilgamuwa Divisional Secretariat had been repaired at a cost of Rs.1,366,280, without obtaining the approval from the Secretary to the Ministry. A need for additional repairs arose during the inspection of the engine after dismantling, though it was expected that the cost would be less than 5 lakhs. A separate quotation cannot be requested for this purpose. Circular instructions should be followed.

2.2 Transactions of Fraudulent Nature

Audit Observation	Comment of the Accounting Officer	Recommendation
Despite the financial fraud of Rs. 4,590,500 committed between 2014 and 2016 at the Birindiwela Samurdhi Community-Based Bank, the investigations had not been completed and no further action had been taken even by 31 December 2023.	Requests have been made to the Samurdhi Director General and Special Crime Investigation Division to provide information on the current progress of the investigation.	Appropriate further actions should be taken by concluding the investigations expeditiously.

3. Operating Review

3.1 Non – achievement of expected output level

Audit Observation	Comment of the Accounting Officer	Recommendation
The smoked dried fish processing center, provided to a beneficiary by spending of Rs. 462,327 by the Wilgamuwa Divisional Secretariat under the World Food Programme, and equipment worth Rs. 350,000 given to a person for making a steam boiler required for grinding rice, remained idle even as of 18 January 2024.	Actions will be taken to activate the smoked dried fish processing center in the future.	Actions should be taken to effectively implement the project and direct supervision should be implemented.

3.2 Projects without progress despite release of funds

Audit Observation	Comment of the Accounting Officer	Recommendation
Despite a grant of Rs. 5,400,000 disbursed during the period 2018-2021 to six beneficiaries for the construction of houses to resettle individuals who were affected by disasters in the Rattota Divisional Secretariat Division, no action had been taken to resettle them by completing the constructions, even as of the end of the year under review	The beneficiaries have been constantly advised that it is not possible to release the next installment until the completion of the constructions related to the installment already paid.	Actions should be taken to achieve expected progress from the allocated provisions.

3.3 Procurements

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The work for Phase 1 of the fence construction at the Ambulambe Industrial Estate, funded with Rs. 15,904,651 from the Industrial Ministry on 27 October 2022, should have been completed by 29 December 2022. However, without the work being completed even by the end of the year under review, the remaining amount of Rs. 6,774,590 had been	As there are disputes regarding the boundaries of the land, the amount has been retained in the General Deposit Account, and an agreement is to be reached in consultation with the Industrial Ministry and the Department of Forest Conservation.	Cost estimates should be prepared after conducting feasibility studies and correctly identifying the needs, and payments should be made under proper supervision for work completed according to the estimated standard within the prescribed timeline.

retained in the General Deposit Account. Additionally, without constructing 38.6 meters of the fence under Phase II, a sum of Rs. 127,380 had been excessively paid. Due to the construction of the fence in two phases without identifying the necessity of the construction project and without preparing a total cost estimate, the Rs. 1,700,000 spent for constructing 340 meters of the fence across the inside of the Industrial Estate had become an uneconomic expenditure.

- (b) Even without starting the work on 19 items of the new building construction project (Section B, Phase 6) at the Ukuwela Divisional Secretariat, and recommending bills as completed for four undone items, Rs. 1,585,976 had been paid. The performance security for this project had been expired on 15 January 2024. Although the scheduled completion date was 11 December 2023, work had not been completed even by 5 February 2024, but liquidated damages of Rs. 814,165 had not been recovered.
- As the project was implemented within a limited period of time, there were some issues of deficiencies.
- Payments should be made under proper supervision for work completed according to the estimated standard within the prescribed timeline.

- (c) Although Rs. 1,504,218 had been paid for 11 items of work under the "Completion of Additional Work" Project at the Ukuwela Divisional Secretariat new building, these items had not been executed. The performance security had been expired on 31 January 2024, and the work, which was due to be completed by 28 December 2023, was still incomplete as of 05 February 2024. Additionally, liquidated damages amounting to Rs. 164,717 had not been recovered.
- As arrangements have been made to retain a special retention money in the settlement of final bills, in case of any defect, it will be addressed using this fund.
- Payments should be made under proper supervision for work completed according to the estimated standard within the prescribed timeline.

3.4 Assets Management

Audit Observation

Nine vehicles belonging to the District Secretariat and 02 Divisional Secretariats remained idle and underutilized for more than a year.

Comment of the Accounting Officer

Relevant entities have been informed of the matter.

Actions should be taken either to utilize or dispose of the vehicles.

3.5 Losses and Damages

Audit Observation

Contradictory to Section IV of Paragraph 02 of Pension Department Circular No. 01/2022 dated 20 January 2022, 03 expatriate pensioners of Ambanganga and Galewela Divisional

Comment of the Accounting Officer

The matter has been referred to the Department of Pensions to recover the payments.

Actions should be taken in accordance with circular instructions.

Secretariats had been overpaid Rs. 117,450 as cost of living allowance.

3.6 Management Weaknesses

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In the examination of a sample of 11 Samurdhi community based banks in the Matale district, an outstanding loan balance of Rs. 10,274,194 was observed out of the loans totaling Rs. 19,347,350 provided to 176 beneficiaries as at 30 June 2023 and no installments had been recovered from those beneficiaries during a period ranging from 09 to 15 months.	Legal actions have been initiated to recover loans and explanations have been called for from the managers who did not take legal actions.	Actions should be taken to recover the outstanding loans.
(b) In terms of the Circular No. DSD/HO/MF/2020/05 dated 17 May 2020 and No. 2021/02 dated 17 February 2021 of the Director General of Samurdhi, benefits totaling Rs. 357,309,399 had been paid to low income families in the year 2020 from the Samurdhi Community Based Bank Fund on the basis of reimbursement from the Department of Samurdhi Development. Nevertheless, these funds had not been reimbursed even by the end of the year under review.	Although requests have been made for reimbursement, money has not been received.	Arrangements should be made to get the money reimbursed as per the circular.

- (c) Although the compensation related to the acquisition should be paid on the date of publishing the interim order as the Section 38(a) of the Land Acquisition Act No. 09 of 1950, due to delay in payment of compensation from 3 years to more than 10 years, an interest amount of Rs.5,023,070 had to be paid to 06 land owners of 02 Divisional Secretariat Divisions. Delays have occurred due to unavoidable reasons in the acquisition process. Necessary measures should be taken to prevent the delays in the payment of compensations.
- (d) Outstanding loan balance of Rs. 853,836 due from 08 officers who retired, interdicted, vacated service and died in 05 Divisional Secretariats remained uncollected as at the end of the year under review. Instructions have been given to take legal actions in the future. Actions should be taken to recover the outstanding loan balances.
- (e) Even though relevant information for conducting an investigation regarding the employment of 05 Multipurpose Development Assistants on working days at the private residence of the Ratthota Divisional Secretary in Kadawata area in September 2021 had been forwarded to the Secretary of the Ministry of Home Affairs on 05 October 2021, investigations had not been completed till the end of the year under review and there are no follow-up measures had been taken thereon. The matter has been forwarded to the Ministry for future investigation activities. After completion of investigations promptly, further actions should be taken as per the recommendations.

**4. Good Governance
Rendering Services to the Public**

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although subsidy amount of 735,014,912 had been sent from the district office to Samurdhi Community Based Banks as, Samurdhi subsidy, disability allowance, kidney allowance and elderly allowance during the period from 01 January 2022 to 30 June 2023, there were 578 occasions of delays from 08 to 177 days in remitting them to the beneficiaries.	A proper internal control system will be maintained in the future to prevent these types of issued in the future.	Having conducted investigations on the pyment delays, further action should be taken and measures should be taken to prevent delays.
(b) Compensation of Rs.722,706 further remained payable for 22 cases of house and property damages that occurred in 04 Divisional Secretariats in 2022 and 2023 had not been paid even as at 31 December 2023.	That the Dambulla Divisional Secretariat will make payments after receiving the imprests and the Ambanganga and Laggala Divisional Secretariats have not received the provision to pay the remaining amount of compensation	Relevant compensations should be paid within the prescribed timeline.

5. Human Resources Management

Audit Observation	Comment of the Accounting Officer	Recommendation
In accordance with Combined Service Circular No. 2002/01 dated 19 June 2002, the officers who have served in the same station for more than 05 years should be transferred. Nevertheless, 33 officers of the District Samurdhi Division had been continuously employed in the same station for a period of 06 to 23 years.	There is no possibility to transfer these officers within the district, it should be done by the Samurdhi Development Department.	Circular instructions should be complied with.