

Head 279-Kegalle District Secretariat

1. Financial statements

1.1 Qualified opinion

The audit of the financial statements of the Kegalle District Secretariat for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, and cash flow statement for the year then ended was carried out under my direction in pursuance of provision 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 consisting my comments and observations on the Financial statements of the Kegalle District Secretariat in terms of section 11 (1) of the National Audit act No.19 Of 2018, was forwarded to the Accounting officer on 29 May 2019. The Annual Detailed Management Audit Report relating to the District Secretariat in terms of Section 11 (2) of the National Audit Act was forwarded to Accounting officer on 15 May 2019. This reports is submitted to Parliament in terms of Section 10 of the National Audit Act No 19 of 2018 read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist of Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, financial statements give a true and fair view of the financial position of the Kegalle District Secretariat as at 31 December 2018 and of its financial performance and its cash flow for the year then ended in accordance with General Accepted Accounting Principles.

1.2 Basis for a qualified opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility on Financial Statements is further described in the Section of Auditor's Responsibility. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of Chief Accounting Officer and Accounting Officer's on Financial Statements

Chief Accounting Officer and Accounting Officer's are responsible for preparation of these financial statements that give a true and fair view in accordance with generally Accepted Accounting Principles and in accordance with direction in Section 38 of the National Audit Act No 19 of 2018 and for determination of internal control which is required to enable to prepare of financial statements that are free from material misstatement due to fraud or errors.

District Secretariat shall maintain proper books and records of its income, expenses, assets and liabilities in order to prepare Annual and Periodic Financial Statements in terms of Section 16 (1) of the National Audit Act No.19 of 2018.

Chief Accounting Officer and Accounting Officer shall ensure that an effective internal control system is maintained for financial control of the District Secretariat in terms of Sub-

section 38 (1) (c) of National Audit Act and the review of the system should be done running efficiently effectiveness and make any changes to keep periodically.

1.4 Auditor's Responsibility 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 misstatements, whether due to frauds and error, and to issue Auditor General 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. Misstatement can arise from frauds 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risks 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.
- It is not intend to comment on effectiveness of internal control of the District Secretariat in order to plan appropriate audit procedures in a timely manner.
- Evaluate the overall presentation, 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.
- The transactions and events underlying the structure and content of the financial statements are presented appropriately and fairly in presenting the financial statements as a whole.

Accounting officer was made aware on important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on other legal requirements

In terms of Section 6 (d) of National Audit Act No. 19 of 2018, I declare the followings.

- (a). As there was no need to prepare financial statements for the previous year, it could not be stated that Financial Statements for the year under review were consistent with Financial Statement of previous year.
- (b) As there was no necessity for preparation of Financial Statement for the previous year by Kegalle District Secretariat, recommendations had not been presented for the preceding year.

1.6 Comments on Financial Statements

1.6.1 Financial Performance Statement

The following observations are made.

Audit Observation	Recommendations	Comment by the Accounting officer
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(a) The figures to be included in the Financial performance statement in accordance with paragraph 3.1 of the public Accounts Circular No. 267/2018 dated 21 November 2018 should be prepared on the basis of the figures in the Treasury Final Accounts statements, but not in following.	Action should be taken in accordance with the Paragraph 3.1 of the State Accounts Circular No.267/2018 dated 21 November 2018.	Accepted
(i) Although the advance receipts amounted to Rs. 57,032,719 as per the Treasury Final Accounts Statement. In the financial performance statement stated that it amounted to Rs.17,178,885 overstating by Rs 74,211,604.		
(ii) Although the advance payment had been Rs.70, 671,643 as per the Treasury final Accounts statement, it had been amounted Rs.32,731,198 overstating by Rs.103,402,841 in the financial performance statement.		

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| (b) Although it had been shown refund of the income of Rs.45,422,897 as main ledger account expense and Rs.1,044,423 as imprest in the financial performance statement ,those notes had not been complied to the above public account circular. | Accounts should be done in accordance with the Public Account Circular | Accepted |
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1.6.2 Statement of Financial Position

Following observation is made.

Audit Observation

Recommendations

Comment by the Accounting officer

Non- financial asset in accordance with paragraph 3.3 of the public accounts circular No. 267/2018 dated 21 November 2018 should be stated in the statement of financial position in accordance with the main ledger balance. According to the main ledger account, the value of non- financial assets was Rs.1,361,235,202 however, it was reduced by Rs.80,164,862 to Rs.1,281,070,340.

Should act in accordance with the public Accounts Circular No. 267/2018 dated 21 November 2018.

Accepted

1.6.3 Cash flow statement

Following observations are made.

Audit Observation

Recommendations

Comment by the Accounting officer

- (a) Rs. 177,307 received from the sale of physical assets in the year under review was recorded in the cash generated from operating activities, instead of the cash flow generated from investment activities.

To comply with the provisions of the Public Accounts Circular No. 267/2018 of 21 November 2018.

Accepted.

(b) Receipts of loan installments of Rs.32,813,169 under advances to public officers and loan payments of Rs.57,214,426 had not been shown in the Cash Flow Statement under net cash flow generated by Investment Activities . To comply with the provisions of the Public Accounts Circular No. 267/2018 of 21 November 2018. Accepted.

(c) Expenditure of Rs.130,116,088 under Construction, of physical assets, Purchase and Other Investment Acquisition for the year under review had not been shown in the cash out flow from investment activities. -as above- Accepted.

1.6.4 Non compliance with Laws, Rules and Regulations

The following instances of non –compliances with Laws, Rules, Regulations and Management Decisions were observed.

	Observation	Recommendation	Comment by the Accounting officer
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Referring to Laws, Rules and Regulations -----	Non-compliance -----		
Agrarian Development Act NO 46 of 2010 as amended by Act No.46 of 2011	Although the paddy lands should not be used for any purpose other than agricultural cultivation in terms of section 34 of the Act, a paddy field had been reclaimed and a Madulbowa play ground was being constructed in the Mawanella Divisional Secretariat division.	To act in accordance with the provisions of the Act.	The play ground is not a new playground and it has been informed that the project has been implemented with the allocation of fund. If it is located in a paddy land, it is informed that necessary permission is being obtained by the Assistant Commissioner of Agrarian Services to consider it as a land.

1.6.5 Non-compliance with tax requirements

The following is a case of non-compliance with the tax requirements observed in the sample audit.

Audit Observation	Recommendations	Comment by the Accounting officer
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without obtaining The clearance certificate from the Inland Revenue Department confirming that the contractors are active taxpayers, a sum of Rs. 3.67 million of VAT was paid to three contractors.	Obtaining Clearance Certificate to prove that an active tax payer before paying VAT	Officers in charge of the subject were informed that such a confirmation should be obtained from this year (in the near term) and Reports are being prepared to send to the Inland Revenue Department for information on payments for 2018.

1.6.6 Informal Transactions

Following observations are made.

(a) Transactions without authority

The following observation is made.

Audit Observation	Recommendations	Comment by the Accounting officer
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Allocation of Rs.1.48 million had been made for the Construction of the Magamma Wanguwa kade road at Dehiowita Divisional Secretariat. Nevertheless, the estimate and agreement made for the allocated route was used for concreting another road. As	The modification of properly approved plans should be carried out as per the relevant authority .	The above two roads can be identified as Magamma wanguwa kade Road and Magamma wanguwa kade Road to Gammedda. According to the Dehiowita Divisional Secretariat, these are two projects that were executed on two separate agreements. A committee has been appointed

a result, the construction of the road was not physically possible to examine.

to conduct a formal investigation in to the project and further action will be taken after the report is received.

(b) Transactions not approved

The following observations are made.

Audit Observation	Recommendations	Comment by the Accounting officer
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(i) For an agreement had been entered with a Rural development society for a Sum of Rs.850,230 to carry out the development activities in the upstairs, of the Ruwanwella cultural center under the allocation of the Ministry of Internal Affairs and Wayaba Development. During the physical inspection, only a portion of the room was built in lieu of the upstairs development. Rs.825,466 had been paid to the contractor.	To accept the contract as per the agreement entered in to and not to pay when the contrary is made, and to recover the money from the relevant parties of such payment is made .	I have instructed the Divisional Secretary to take immediate action to correct any wrong doing in the project and to register the correct name in the agreement.
(ii) The amount of Rs.1,000,000 had been allocated to develop Aplapitya 40 houses Aluth walawwa road in Dehiowita Divisional Secretariat area under the program of uplifting the	Development activities should be carried out to achieve the desired objectives.	In terms of section 23 of the pradeshya sabha Act N0.15 of 1987, 'All other road located in an area which is not a main road shall be deemed to have been in the area unless it has already been vested in a statute' Although it is not registered ,

livelihood of the persons engaged in the export agriculture sector and developing infrastructure facilities. The site inspection revealed that the road was owned by two private landowners who had not been effected by the export crops. Thus the objectives of the development program have not been met .

the road is owned by the pradeshiya sabha. It also provided direct access to 11 families. This project proposal has been submitted and approved by the people's representative.

2. Financial Review

2.1 Utilization of funds provided by other Ministries and Departments

The following observation is made.

Audit Observation	Recommendation	Comment by the Accounting officer
<p>The amount of Rs.8,395.19 million and Rs. 29.09 million had been allocated respectively for implementation of development projects and procurement of capital equipment from 25 other ministries and 14 departments in the year under review. The amount of Rs. 5,620.86 million and Rs. 2.38 million had been saved without utilizing respectively, by the end of the year under reveiw It was the range of 0.4 percent to 91.7 percent of the allocation for projects.</p>	<p>Plans to be carried out in advance of projects proposed by other ministries and departments.</p>	<p>Funds were saved due to inability to implement projects and lack of Cash funding on time.</p>

2.2 Deposit Balances

The following observation is made.

Audit Observation	Recommendation	Comment by the Accounting officer
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Action had not been taken to credit or settle the total amount of deposits exceeding 2 years amounting to Rs. 207,280,181 relation to the District secretariat and 03 Divisional secretariat.	Should act in accordance with Financial Regulation, 571 (3) in respect of expired deposits.	Accepted

2.3 Advance Account Balance

The following observation is made.

Audit Observation	Recommendation	Comment by the Accounting officer
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The amount of Rs.510,710 due to 4 suspended officers had not been recovered by the end of the year under review.	In case of non-receivables of the principal debtor in terms of Section 4.5 and Section 4.6 of Chapter XXIV of the Establishments Code, such money should be recovered from the guarantor.	It has been informed that they will recover the loan balance from the reinstated officers or else the salary of the guarantor will be recovered, it has been informed that action will be taken to recover the loan from the officer who pays for disciplinary inquiry in future.

3. Operational Review

3.1 Activities without performing

Following observation is made.

Audit Observation	Recommendation	Comment by the Accounting officer
The Vidatha Resource Centres at Deraniyagala and Galigamuwa Divisional Secretariats had been assigned to perform 57 and 43 programs respectively, but only 42 and 22 had been implemented respectively.	Take action to implement relevant programs as planned.	Some of the programs listed in the action plan are unable to be executed and other programs are running.

3.2 Delay in projects

The following observation is made.

Audit Observation	Recommendation	Comment by the Accounting officer
The amount of Rs. 83.4 million had been saved from the allocation provided for the rehabilitation of 24 roads in the Kegalle District which were affected by the floods and landslides in the year 2017, due to the failure of the reconstruction work.	Take action to make use of the provisions that have been made available to the targets.	Out of works of Rs.83.4 million had been continued in the year 2017, only the works of Rs.19.71 million completed in the year 2018. The imprest for the rest of the work had been received in the year 2019.

3.3 Projects for that have been released the funds but have not progressed

The following observations are made.

Audit Observation	Recommendations	Comment by the Accounting officer
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(a) District Secretariat and 3 divisional secretariat office had released total amount of Rs.33.07 million for completing the 07 water projects to the National Water Supply and Drainage Board. Work on those projects has not been completed by March 2019.	Action should be taken in consultation with the Board to get the projects implemented.	It had been stated that the progress of the project had been discussed with the Water Board on several occasions and advised to expedite the project.
(b) Out of the 15 apparel based mini factories opened by the Ministry of Industry and Commerce at the Divisional Secretariat level in Kegalle district, 04 centers were not functioning as expected and 11 centers had been closed.	Paying attention to marketing, adhering to circular instructions, tracking and monitoring the financial and physical resources available to the factory.	<p>Instruction was given by the Ministry to reactivate the project on 12 December 2018.</p> <p>The owners of buildings that hold the equipment have not been paid the rent for the building had been informed in orally and writing that the equipment will not be released.</p> <p>As it is a difficulty to comply with these instructions, Ministry has been informed in take action to release the equipment from the respective building</p> <p>Considering over the loss of state property due to the further depletion of equipment at five centres, as per the instruction of the letter dated 14 September 2018, sent by the Ministry, arrangements</p>

had been made to hand over the machinery to the new beneficiaries.

3.4 Annual Performance Report

The following observation is made.

Audit Observation	Recommendations	Comment by the Accounting officer
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The amount of 150 raids planned by the Consumer Affairs Division, two projects planned by the District Agriculture Division and five projects planned by the Divineguma Division had not been implemented during the year under review.	Work towards achieving the goals set out in the action plan.	Accepted.

3.5 Local Funded Projects

The following observations are made.

Audit Observation	Recommendation	Comment by the Accounting officer
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(a) Out of the funds provided for the development of infrastructure facilities damaged by the floods and landside affected in may 2017 in the island, provision of Rs.38,027,134 had been utilized for reconstructing of 9 roads which were not damaged. A sum of Rs.17,542,019 had been spent by December	Taking action to allocate funds for the targeted project	The roads affected by the floods in 2017 are selected with the recommendation of the Executive Engineers of Sabaragamuwa Provincial Council, Kegalle, Rambukkana and Dehiowita.

2017.

- (b) Under the disaster mitigation projects implemented by the Ministry of Disaster Management in the year 2018, the side wall of the Napawala Mosque road in Dehiowita Divisional Secretariat was constructed for the benefit only for one houses at a cost of Rs.1,325,709. There were large differences in the amount of work performed and the estimated amount, but no approval was obtained.
- Proper supervision and preparation of estimates for the implementation of a project should be carried out accordingly and Taking steps to check the irregularities that have taken place.
- A board has been appointed to hold a formal investigation into this project and after receiving the report I will take further action.
- (c) For an agreement had been entered for the construction of the Thimbiripola Cemetery Road and the culvert in the Dehiowita Divisional Secretariat for a sum of Rs. 1,939,616 under the implementation of disaster mitigation project by the Ministry of Disaster Management in 2018. There was no road beyond the side walk and the culvert, and the water flowing from the ridge beyond the culvert was eroded along the sides. There were large differences
- Proper supervision and preparation of estimates for the implementation of a project should be carried out and an inquiry into the irregularity of the situation taken and the formal action taken against the responsible party.
- A board has been appointed to hold a formal investigation into this project and after receiving the report I will take further action.

between the estimates and the work performed and the approval was not obtained. The amount of Rs.142,697 of the work estimate had been paid for without fulfilling part of the work.

3.6 Procurements

Following observation is made.

Audit Observation -----	Recommendation -----	Comment by the Accounting officer -----
The bid security had not been submitted for 5 contracts worth a total of Rs. 31,931,288 implemented by the District Secretariat during the year under review.	To comply with the Guidance 5.3.11 of the Government procurement Guideline.	Directed to take necessary action to obtain the guarantee deposit as per the circular.

3.7 Asset Management

Following observation is made.

Audit Observation -----	Recommendations -----	Comment by the Accounting officer -----
In 2005/2006 the dehydration machine and the bakery stove which had been assigned to the Vidatha Resource Centre affiliated to the Kegalle Divisional Secretariat of the Ministry of Science and Technology were inactive and decaying. The motorcycle and helmet, concrete door frame,	Should repair or utilize or properly dispose of defunct assets.	Vidatha Resource Centre has completed the survey and submitted the report to the Ministry.

concrete window frame and 4 chairs remained idle for a long time.

3.8 Management Deficiencies

Following observations are made.

Audit Observation	Recommendations	Comment by the Accounting officer
<p>(a) Inspection of soil for sale at Havanawelahena watta land in Bulathkohupitiya Divisional Secretariat Division. Non-compliance with the terms of the agreement, breach of contractual conditions, lack of access to dust, no constructions of drainage system to remove water from the excavation site, Lack of proof of Cube size, of removable soils according to the excavation permit, non-fulfilment of environmental license conditions. Lack of attention to adjacent land during the excavation was a serious risk, lack of grassland crops to stabilize the banks and Lack of coordination of licensing and supervision activities were some of the deficiencies.</p>	<p>Should enter into agreements with conditions for short comings and Should be compliant with such agreements.</p>	<p>As soon as it was discovered that the excavation was taking place in violation of licensing conditions, the Regional Geological Survey and Mines Bureau in Ratnapura issued licences for this purpose was aware 3 occasions by letters but no action was taken by the agency. Therefore Director General in the Head office of the Geological Survey and Mine Bureau was informed by my letter No. BKP/EST/GRAVEL/D4/6 dated 1 March 2019.</p> <p>Thereafter, the District Soil and Gravel Mining Committee was informed of this and informed the Director General of the Geological Survey and Mines Bureau.</p> <p>Direction had been given to suspend this issue by letter of 15 March 2019.</p> <p>Accordingly, the Geological Survey and Mines Bureau have conducted a joint investigation into the site and has reported that the license has been suspended until it has corrected its licensing conditions.</p>
<p>(b) Work with No of 60 files related to land acquisition (not related to judicial</p>	<p>Acquisition of lands should be expedited for the implementation of such</p>	<p>Since land acquisition is a joint venture of the Divisional Secretariat and the Ministry of</p>

proceedings) had been projects. unnecessarily delayed by 08 Divisional Secretariats for the implementation of various projects in the Kegalle District.

Lands, certain clauses take time to fulfil. The Gazette is sent by the Applicant Ministry. This land acquisition process is complex and time consuming. However, personnel attention was drawn to this matter and the delay in the acquisition of the land has been prevented. The delay in filing lawsuits and protests on certain lands has caused delays.

(d) 65 School lands in the Sabaragamuwa province council which are located in 11 Divisional secretariat with a land area of 105 acres with 2 rudes and 12.5 perches was closed for period from one year to 25 years. Of these, resource only 17 were using for the other purposes. Remain resources have not been put to good use.

Action should be taken to ensure the safety of these lands and buildings and to utilize the land for useful purpose.

Several schools in the district have been closed due to various reasons. It has been informed that although the property in the custody of the Divisional Secretariat should be used for public works, no request has been made for the same.

4. To achieve Sustainable Development Goals

Following observation is made.

Audit Observation

Recommendations

Comment by the Accounting officer

In accordance with the United Nations "Sustainable Development Agenda - 2030" and the Sustainable Development Act No. 19 of 2017, the District Secretariat has not taken action to identify

Should be directed to the relevant divisions regarding the implementation of the relevant objectives and targets

If the audit highlights the shortcomings identified in the objectives, targets and indicators to be implemented by each sector, the action plan can be worked out more accurately

the objectives, targets and performance indicators required by each division to be incorporated into the action plan.

5. Good Governance

5.1 perform services to the public

Following observation is made.

in the future.

Audit Observation	Recommendations	Comment by the Accounting officer
Number of 32 families in the Deraniyagala and Ruwanwella Divisional Secretariats that were affected by the disasters were not provided with water.	Action should be taken to provide infrastructure facilities to the affected persons as per the relevant circular instructions.	A rough estimate of Rs. 4,742,797 has been submitted for a water project at the Thunimaima Watta land in Anhettigama and it has been informed that as soon as allocation receive water will be provided. Work of the water project in Ruwanwella Divisional Secretariat Office is carrying out by Water Supply and Drainage Board.

6. Human Resource Management

The following observations are made.

Audit Observation	Recommendations	Comment by the Accounting officer
(a) According to the new staff report as at 02 November 2017, the post of Translator (Sinhala / Tamil) has been approved, but by March 2019 no recruitments have been made for such posts.	Making arrangements to fill the vacancies in each division on time.	From time to time, requests have been made to the Secretary of the Ministry to fill the vacancies in the monthly service statistics and in addition to written request on the vacancies mentioned in this post.
(b) Three Development Officers have been assigned	Take action to delegate work to officers directed to	It has been informed that the Ministry has not given a

to the Ruwanwella and Bulathkohupitiya Divisional Secretariats by the Ministry of Agriculture and they have been paid Rs.1,019,241 and Rs.1,334,296 as salaries and travelling expense allowances respectively during the year under review. However, allocation had not been provided for agriculture related activities, any programme related in had not been implemented.

specific list of duties to the officers and no allocations have been made to organize the programs.