

Head -258 District Secretariat, Kandy

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the District Secretariat, Kandy 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 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, Kandy was issued to the Accounting Officer on 30 May 2019 in terms of 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 Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 28 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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, Kandy as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with generally accepted Accounting Standards.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 qualified opinion.

1.3 Responsibilities of 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, Kandy 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, Kandy 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 an auditor'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:

- 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 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6 (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) Since there was no need to prepare financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the District Secretariat, Kandy to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Provisions of Circulars

The financial statements should have been prepared in accordance with the State Accounts Circular, No. 267/2018, dated 21 November 2018, but instances of deviations from such requirements are as follows.

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) An imprest adjustment account had not been prepared by the District Secretariat.	An imprest adjustment account should be prepared in terms of Section 7 (vi) of State Account Circular, No. 267/2018, dated 21 November 2018.	An imprest adjustment account had not been prepared by mistake. Such an account will be prepared and furnished as an Annexure.
(b) The total imprest value of Rs. 5,794,413,673 had been shown as non-revenue receipts under the funds generated through operating activities in the cash flow statement presented with the financial statements.	Direct imprests of the Treasury, other receipts, and general deposits should be included under the cash flow generated through operating activities in the cash flow statement.	As being pointed out in audit, a revised statement has been prepared by including direct imprests of the Treasury, other receipts and general deposits, and annexed to the cash flow statement.
(c) Adjustments to the balances of advance account, had not been included in the cash flow statement.	Adjustments to the balances of advance account, should be included in the cash flow statement.	Adjustments to the balances of advance account, could not be included by mistake, and will be furnished as an Annexure.

1.6.2 Accounting Deficiencies

(a) Non-revenue Receipts

The following deficiencies were observed in accounting the revenue received by the District Secretariat.

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) In addition to the direct receipts of the Treasury, the sum of Rs.1,103,737,431 received from other sources had been included under the receipts of Treasury imprests.	When showing the Treasury imprests under the non-revenue receipts, only the direct receipts of the Treasury, should be included.	After being pointed out by the audit, an ACA-F Format has been furnished as an Annexure.
(ii) According to the monthly account summaries, a revenue of Rs. 218,898,042 collected by the District Secretariat on behalf of miscellaneous Ministries and Departments, had not been accounted as other receipts in the statement of financial performance.	The revenue, after being identified, should be brought to accounts under other receipts in the statement of financial performance.	The ACA-F Format, after being revised, has been furnished as an Annexure.
(iii) According to the statement of financial performance furnished, a zero balance was indicated in the imprest account as at 31 December 2018.	The balance in the imprest account as at the end of the year, should be shown in the accounts.	Happened by mistake. A revised ACA-F Format has been furnished as an Annexure after being pointed out.

(b) Reconciliation Statement on the Advances to Public Officers Account

The audit observations observed in this connection, are as follows.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) There existed a balance of Rs. 375,287 as at 30 April 2019 recoverable from 05 officers of the District Secretariat and 04 Divisional Secretariats who had been interdicted. Of the said sum, 04 loan balances totaling Rs. 308,873 had continued to exist over a period of 05 years.	Disciplinary inquiries should be concluded soon thereby recovering the relevant loan balances.	Of the said sum amounting to Rs.375,287, the balance of a deceased officer is recovered from his W&OP whilst the balances belonging to two officers are recovered in installments, and investigations are in progress with respect to the other two officers.
(ii) A loan balance of Rs.174,526 remained recoverable from 03 staff members who had vacated the service at 03 Divisional Secretariats, and two loan balances therein totaling Rs. 170,276 had been older than 05 years.	Action should be taken legally to recover the loan balances receivable from the officers who had vacated the service.	One loan balance is being recovered at present. As for the other 02 loan balances, information has been sought from the Attorney General.

(c) Property, Plant and Equipment

 The following deficiencies were observed with Property, Plant and Equipment being brought to accounts.

Audit Observation	Recommendation	Comment of the Accounting Officer
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(i) Values of lands and buildings belonging to 06 Divisional Secretariats, and the official quarters of the District Secretariat, had not been shown under non-financial assets.	The costs or the assessment values of all the non-current assets owned by the Institute should be included under the non-financial assets.	The Government Valuation Department has been requested for assessment, but no replies have been received so far.
(ii) Adjustment notes valued at Rs. 350,048,543 relating to the correction of errors, had been shown in the Format , ACA-6 as acquisition of assets from other institutions.	The accurate value of acquisitions should be indicated under acquisitions.	Accepted.
(iii) According to the Format , ACA-6 as at 31 December 2018, a difference of Rs.1,090,304 had existed between the statement of non-financial assets, and assets report of the Treasury.	The balances of non-financial assets should tally with the assets report of the Treasury as at 31 December 2018.	The differences are accepted.

the Circular.

PasbageKorale, the fuel consumption test was carried out after being driven over 80 Km again.

(e) Transactions of Fraudulent Nature

Audit Observation	Recommendation	Comment of the Accounting Officer
A person had collected 2 pensions from the Divisional Secretariat, GangawataKorale for a period of 16 years and 2 months, thus committing a fraud of Rs. 2,064,377. Even after a period of one year since this was revealed, no action has been taken so far for the recovery.	As his name had not inevitably been removed by the office from where he had received his pension once the pension file had been transferred, a misappropriation of Rs. 2,064,377 had taken place. The relevant loss should be recovered from the parties responsible.	It is informed that inquiries have been concluded, the report of the inquiry has been sent to the Department of Pensions and the Police Station of Kandy on 08 February 2019, and further action will be taken in accordance with instructions of the Director of Pensions.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Recommendation	Comment of the Accounting Officer
No acceptable reasons had been made available with respect to the saving of provision totaling Rs. 78,974,060 relating to 05 Objects.	In case of saving of provision under the Objects, clear reasons should be furnished in that connection.	Those savings were casual, and occurred due to economical utilization of fuel, and miscalculation of salaries for the year 2020 in terms of Public Administration Circular, No. 03/2016.

2.2 Utilization of Provision Granted by Other Ministries and Departments

The audit observations revealed in this connection, are as follows.

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Provision totaling Rs.5,057,706,170 had been made during the year 2018 under other Ministries and Departments. However, a sum of Rs. 1,505,477,832 or 30 per cent therefrom had been returned within the year with no written request from each of the Ministries and Departments. Of that, capital grants amounting to Rs. 1,210,791,832 had been returned.	The provision received should be utilized efficiently.	Once the relevant purposes had been completed with the provision made, the provision received late totaling Rs. 1,510 million had been returned.
(b) Department of Pensions		
(i) The GramaNiladhari of the division had informed on the demise of pensioners in 07 divisions of Divisional Secretariats after a delay of 11 – 109 days.	The Divisional Secretariat should be informed by the GramaNiladhari within 7 days from the demise of a pensioner.	The GramaNiladharis have been apprised at the meetings of the division. Measures have been taken to follow the methodologies relating to internal control.
(ii) Unpaid pensions totaling Rs.377,859 of the Divisional Secretariat, Udunuwara relating to the period January – June, 2018, had not been transferred to the Director of Pensions.	The pensions pertaining to the deceased pensioners should be surcharged, and transferred to the Director General of Pensions.	Having identified the error, the Director of Pensions has been informed.
(iii) Pensions totaling Rs. 841,460 that had not been paid to 26 pensioners pertaining to 4 Divisional Secretariats, had been retained in the deposit	In terms of Circular, No. 2/2011 of the Director of Pensions, dated 14 June 2011, the unpaid pensions can be retained up to a period of one	The monies retained in the general deposit account have been remitted. As per instructions of the letter of the Director of Pensions, dated 23 January 2019,

account for a period ranging from 02 to 09 months before being remitted. month for the payment if a request is made. Thereafter, the unpaid pension should be remitted. remittance is made through the bank directly.

(c) Women's Bureau

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- (i) A loan balance totaling Rs.108,120 remained recoverable as at 30 June 2018 from the beneficiaries who had obtained loans under the circular loan programme with respect to 7 Divisional Secretariats. Action should be taken to recover the loan balances in terms of the conditions of the Fund. Action is being taken to institute legal proceedings.
- (ii) Forty eight women's associations hadnot been registered in 311 GramaNiladhari divisions pertaining to 4 Divisional Secretariats in accordance with the Letter, No. MWGA/WB/ ශ්‍රී ලංකා කා. සූ/2017 of the Director of Sri Lanka Women's Bureau, dated 12 January 2017. Women's societies should be established and registered in every GramaNiladhari division. Action is taken for registration.

(d) Ministry of Women and Child Affairs.

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- (i) An expenditure of Rs. 1,315,320 had been incurred in the year 2018 on underweight children in 02 Divisional Secretariats. However, the basis on which the underweight preschool children with malnutrition had been selected, was not made available to the Audit. Children with malnutrition should be identified with the assistance of divisional offices of MOH. Reports of the MOH will be obtained from the year 2019. Action has been taken to provide the meals with underweight children after obtaining recommendations of the Midwives and Medical Officers of Health.
- (ii) As for the programme to Inspections should constantly Despite being inspected by the

- provide breakfast for the preschool children of 08 Divisional Secretariats in terms of the Circular, No. 1/2017 of the Secretary to the Ministry of Women and Child Affairs, dated 20 January 2017, the breakfast should have been inspected by the Public Health Inspectors. However, no documentary evidence was available to ensure that the recommended meal had been provided on time on the specified day.
- (iii) In addition to the underweight beneficiary children pertaining to 05 preschools, it had been informed to increase the number of children by 78. However, the number of beneficiary children had dropped from 184 to 172 by the month of July relating to the Divisional Secretariat, Medadumbara. Furthermore, irrespective of the possibility with 04 Divisional Secretariats to provide benefits further for 276 underweight children, no action had been taken in that connection.
- (iv) There existed 3010 instances with respect to 08 Divisional Secretariats in which the food ration (PoshanaMalla) had not been collected as at 31 December 2018, and the total amount provisioned thereon was Rs. 6,020,000.
- be carried out by the divisional PHIs, thus furnishing recommendations to the Divisional Secretary.
- Public Health Inspectors, no verification had been obtained in writing. Even though it was informed that inspections were carried out by the Child Rights Promotion Officers, there existed no reports in that connection.
- As the Government had agreed to grant additional provision for the relevant programme, measures should be taken to identify the children in need of benefits, thereby providing them with benefits.
- Even though the Divisional Secretariats had been informed in August 2018 to increase the number of children by 78, the parents and teachers of the preschools in certain divisions were reluctant to commence this programme at the end of the year since it was the last 3 months of the year.
- Mothers should be apprised as always as possible thus taking action to provide the benefits in accordance with the Circular.
- Action has been taken to apprise the mothers when the voucher is given to them, at awareness programs and through the notice boards.

(e) Ministry of Disaster Management

- (i) A sum of Rs. 5,300,000 had been released in the year 2018 to the Divisional Secretariats in Medadumbara for paying compensation to the people affected by natural disasters occurred in the years 2017, and 2018. However, due to reasons such as, incompleteness of the relevant works, and inadequacy of the approved amount, the provision saved as at 31 December amounting to Rs.1,200,000, had been transferred to the District Secretariat.
- Payments should be made to the affected parties in view of mitigating the damages.
- Even though 120 families had been identified as being high and medium risk, only 07 families had been approved for compensation at the preliminary round and action has been taken to resettle the other families in accordance with instructions of the Circulars.
- (ii) Provision amounting to Rs.1,210,446 had been requested from the National Insurance Trust Fund to be provided for the Divisional Secretariat, Panvila in regard to the houses damaged by the disasters in the years, 2016, 2017, and 2018. However, only a sum of Rs. 69,890 had been received and paid as at 30 April 2019.
- Payments should be made to the affected parties promptly in order to mitigate the damages.
- It is the National Insurance Trust Fund that provides financial benefits. Reminders will be sent to the relevant institutions, and payments will be made as soon as the funds are received.
- (iii) Six families in 05 divisions were identified for resettlement in the wake of disasters occurred during the period 2014 – 2018 in the Divisional Secretariat, Panvila. The relevant persons had not provided information with the Divisional Secretariat on a land suitable for dwelling even by 28 February 2019.
- Action should be taken to fulfill the objectives of the project implemented by the National Building Research Organization.
- As the Government did not own plots of lands suitable for resettlement, lands are being identified at present for acquisition. As soon as a suitable land is found, action will promptly be taken for resettling the persons.

- (iv) As for the spill project of Pussaluoya in the division of Divisional Secretariat, Pathadumbara ;
- (a) The Procurement Committee had not comprised a member with knowledge on contracts, and a person external to the procurement entity had not been appointed as well.
- (b) The silt removed from the brook should have been transported 100 feet away before being laid and compacted. However, the silt removed from the brook had been dumped on either sides of the banks.
- (v) A Procurement Plan and a Time Schedule had not been prepared for the project to renovate the Nanuoya canal in the division of the Divisional Secretariat, Yatinuwara. Furthermore, a verification was not obtained that the contractor had been free from Value Added Tax, and an overestimate had also been prepared to the value of Rs. 657,438.
- Guidelines 2.7.7 (a), (c), and (d) of the Procurement Guidelines should be followed whilst taking action in accordance with instructions of the Engineers.
- The divisional Procurement Committee had been appointed by the District Secretary with his activities relating to control of funds being assigned thereto. As the estimate had been prepared in consultation with the Mahaweli Authority, a person with technical expertise had not been appointed to the Committee.
- It is observed that silt had been removed properly, and deposited in a manner strengthening the banks and controlling the floods.
- A Master Procurement Plan and a Time Schedule should be prepared in terms of Guidelines 4.2.1 & 4.2.2 of the Government Procurement Guidelines. It is also necessary to verify that the contractor has been released from tax liabilities. Furthermore, estimates should be prepared accurately following a feasibility study.
- This was executed with the provision from the Ministry of Disaster Management; hence, not included by the District Secretary. However, after being pointed out by the Audit, a Time Schedule is being prepared at present. The VAT No. is requested on the bid application. As the No. was not mentioned thereon, it was concluded as not being registered. This deficiency will be rectified in due course. Due to growth of trees preventing entry to the canal from many locations, transportation of machinery had become a problem. As such, it was found necessary to remove mud in order to transport those machines along the canal. Accordingly, this is an estimation

in spite of the higher rates used.

- (vi) The provision totaling Rs.50,000,000 granted to the Divisional Secretariats of Doluwa and Udunuwara by the Ministry of Disaster Management in the year 2018 in order to implement the project for constructing houses for the families living in areas prone to landslides, had not been used on the intended purpose; instead, the total amount had been transferred to the District Secretariat, Kandy due to reasons such as, presentation of contradictory recommendations by the National Building Research Organization relating to the suitability of lands, failure in providing the appropriate house plans promptly, and failure of the Divisional Secretariat, Udunuwara in taking preliminary measures for the resettlement until provision had been received.
- In case provision has been allocated on a certain project, an efficient and well-planned methodology should be implemented in order to achieve the objectives of that project.
- It was explained by the Divisional Secretariat, Doluwa that the National Building Research Organization stated the suitability of lands at the Audit and Management Committee, but once the lands were parceled off, the same stated the contrary. As such, the monies were transferred.
- (vii) A land in extent of 25 acres close to Kurunduwatta town was allocated for resettling 162 families lived in the high risk area of Berawila in the wake of landslide taken place in the division of Divisional Secretariat, GangaihalaKorale in the year 2016. Having granted plots in that land to 153 families for resettlement, a sum totaling Rs. 30,600,000 had been paid on 16 November 2018 as the first installment to construct houses. By 08 April 2019, a number of 125 families
- Provision granted for the people living in high risk areas should be utilized promptly thereby resettling them.
- Payments had been made at the Audit and Management Committee meeting of the Divisional Secretariat, GangaihalaKorale upon the consent initially given by the National Building Research Organization. However, it was stated that action was being taken for resettlement in accordance with alternative proposals as the National Building Research Organization refused the consent later.

therefrom had lived in the high risk areas with no constructions made.

- (viii) Due to high risk of landslides in the division of the Divisional Secretariat, GangaihalaKorale, 243 houses and 36 estate houses had been identified for resettlement. Although action had been taken to resettle only 135 families, no proper methodology had been prepared for the removal and resettlement of the rest of the 126 families still living in the high risk areas. An expenditure of Rs. 1,929,960 had been incurred in the year 2018 on the development of roads in that land, but the internal road network had been constructed without a proper plan.
- Prompt utilization of provision granted for the people living in high risk areas is needed, thereby resettling them.
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- (f) National Secretariat for Elders

 After being verified in accordance with the register that elders' allowances had not been obtained for a period of 3 months consecutively, the subject clerk of the Divisional Secretariat, Udunuwara had removed the beneficiary of the allowance without obtaining approval of the Committee.

Having been decided by the Divisional Committee in accordance with the Circular, Action should be taken to remove the name of the beneficiary from the register of payment of allowances.

The beneficiary was removed from the register as per the report of the GramaNiladhari, and approval of the Committee was sought later.

(g) Ministry of Industry and Commerce

 The following observations are made in connection with the programme of the Government relating to development of skills, women empowerment, rural development, enhancing livelihood of 4000 women in all the districts, and making 1 million job opportunities.

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| (i) | A number of 160 trainees nominated by the Ministry had been provided with training at 08 proposed factories for a period of 06 months. Those institutions should have been maintained as joint ventures or cooperative societies, but not even a single institution had been registered in that manner. Five factories had been closed down with their operations completely halted. | Action should be taken to fulfill the objective expected from the programme. | It has been informed by the District Secretary that a suitable methodology was being prepared, and action has been taken to supervise the progress thereof quarterly. |
| (ii) | Fourteen items of machines and instruments worth Rs.9,781,156 had been supplied for the said 08 factories. | The items purchased by spending public funds should be given to a responsible party. | Although instructions were given properly to hand over the items, the Ministry had failed to act accordingly. |
| (iii) | A shortage of assets worth Rs.2,998,344 was revealed with respect to 06 factories. Machines and instruments worth Rs. 1,187,592 provided for the factory in Watagoda, along with | The parties responsible for the shortage of assets should be identified, and legal action should be taken against them. The assets should properly be taken over by the Government, and released to | The items pertaining to the garment factories in Watagoda, and Yatiwawala – Galhinna do remain at the house of the Coordinating Secretary of the Ministry located at Mavilmada. |

machines and instruments worth Rs.572,925 supplied to the factory in Yatiwawala had been dumped at a school and a temple insecurely. other parties in need.

- (iv) Even though the Divisional Secretariats were authorized by the Secretary to the Ministry to recover those items by legal means, it was not so done. As such, the assets were misused. The items obtained by incurring public funds should not be misused. It has been informed that no misuse was taken place.

(h) Ministry of Sports

- (i) Although it was estimated to remove the stones crushed with a backhoe in regard to the expansion of playground of the Hatharaliyadda Central College, a sum of Rs. 100,800 had been paid for the backhoe for the removal of soil on the surface without crushing the stones. Items of work should be identified correctly, and the estimates should be prepared with accuracy. Action will be taken to revise the estimates and make the payments.
- (ii) By utilizing provision amounting to Rs. 1,000,000, a wall supporting the playground had been built to the height of 4.2 meters at the middle area of the road leading from Idamegama main road through the premises of the school. Due to failure in filling with soil so that the top of the wall remained at the same level with the playground, and as the 2 ends of the wall remained When provision is allocated on a certain objective, such provision should be utilized in a manner that the objective is fulfilled. The deficiencies pointed out will be rectified in due course.

open, the wall would be damaged. Thus the objectives could not be fulfilled.

- (iii) A sum of Rs. 23,847,779 had been spend during the period 2014 – 2017 on the construction of indoor stadium of the Nugawela Central College, and the stadium was handed over to the School. However, provision amounting to Rs.10,000,000 had been made in the year 2018 for completion of the works thereof. Of the said sum, Rs.7,102,358 had been spent for the construction of administrative building. Furthermore, a sum totaling Rs. 30,950,137 has been spent so far on the construction of the said indoor stadium without preparing a total cost estimate, but it was an unfinished project with lack of productivity.
- (iv) Provision totaling Rs.1,000,000 had been made by the Ministry of Sports for the construction of netball stadium and renovation of cricket pitch of the Ashar Central College. As the relevant estimates had not been prepared and sent to the Ministry on time, the relevant provision had been cancelled through the Letter, dated 13 June 2018.
- (i) Ministry of National policies and Economic Affairs.
- Provision should be granted in accordance with an approved plan. The provision should be utilized in a manner that the expected objective can be achieved.
- The estimated works , having been completed by utilizing the provision granted from time to time, was handed over to the Principal.
- The allocated provision should be utilized in full.
- The project had been approved for the Ashar Central College on 27 April 2018. The Provincial Engineer of Education had been entrusted to prepare the estimates, but the estimates had not been prepared even after a period of 3 months; as such, the project had been cancelled. Identification and selection of all those proposals are done by the Ministry of Sports.

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- (i) The sum of Rs. 1,438,265 received by the Divisional Secretariat, Ududumbara for the pipe-borne water project in Devinnegama, had been paid to the National Water Supply and Drainage Board on 31 December 2017. But, after being found that the capacity of water was insufficient in accordance with the capacity test, it was decided to construct only a deep well at the location whilst the remaining provision would be utilized to complete the remaining works of the water project in Bambarabadda.
- Provision should be obtained after a proper study before implementing a project.
- A pump house is necessary according to the estimate. However, it was decided to construct a deep well as the capacity of water was not sufficient. The National Water Supply and Drainage Board was informed that the remaining provision of the project be utilized on the water project in Bambarabadda.
- (ii) Provision totaling Rs. 922,000 had been made on 76 beneficiaries under the district decentralized budget programme in order to provide training on driving for the unemployed youth. However, as 25 beneficiaries had not met the required qualifications and been willing to proceed, they had not obtained the training.
- In case provision is received from another Ministry, all the projects should be completed as planned.
- It has been decided to take follow up action at all the meetings of the divisional Audit and Management Committee, and discuss the progress.
- (iii) An expenditure of Rs.800,000 had been incurred on 02 projects pertaining to a Divisional Secretariat under the special programme for infrastructure development whilst an expenditure of Rs.970,000 had been incurred on 02 projects of a Divisional Secretariat under the "Gamperaliya" expedited rural programme, and a sum
- The objectives and benefits should be fulfilled through the sums spent.
- As heavy costs incur to prepare estimates on all the items requested by the chief incumbents and the *DaaykaSabhaa*, total cost estimates had not been prepared, and the remaining works of the projects are already in progress with provision obtained through other sources – the chief incumbents explained.

of Rs. 999,020 had been spent on a project pertaining to the Divisional Secretariat, Udunuwara under the decentralized budget programme. However, only a limited number of activities had been carried out with those provision.

- (iv) The physical inspections carried out on 10 projects completed in 04 Divisional Secretariats at an expenditure of Rs. 7,570,387 under the “Gamperaliya” Rapid Rural Development programme, and 08 projects completed at an expenditure of Rs.5,085,861 in 06 Divisional Secretariats under the special programme for infrastructure development, revealed that 02 projects had been access roads to a privately-owned house, 04 projects had not complied with the approved estimate, constructions under 07 projects had been substandard, estimates relating to 04 projects had not been accurate, and constructions under one project had been incomplete.
- (j) Ministry of Hill Country New Villages, Infrastructure and Community Development
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Of the provision amounting to Rs.5,140,131 made on 26 projects and 09 training programs in the division

Projects should be implemented ensuring benefits for many people. The constructions should comply with the conditions of the agreements, approved estimates, and the standards.

The provision made should be utilized with maximum efficiency.

The PradeshiyaSabhas had given their consent on the 02 projects mentioned as a private road; the projects contradicted the estimate owing to heavy rains and location of the road; 07 projects that had not complied with the standard have been restored by now; the reason for inaccuracies in the estimates is that most essential parts had been constructed following requests made by the residents of the area; and the incompleteness in construction of the playground has been rectified by removing soil.

Those 35 projects comprise 26 projects and 9 training programs. As it was informed that the

of the Divisional Secretariat, Panvila, only 05 training programs and 05 projects had been implemented during the year. The sum incurred thereon amounted to Rs. 1,362,317 and that represented 27 per cent of the total provision.

provision be assigned due to reasons such as, the transfer of officers who had planned the projects, and changes in the political leadership, this situation had occurred.

(k) The Presidential Secretariat.

A sum amounting to Rs.18,807,800 had been credited to the accounts of the societies with respect to 19 GramaShakthi Associations established in 06 divisions of Divisional Secretariats under the GramaShakthi People's Movement. Nevertheless, only 19 infrastructure development projects had been implemented subject to a maximum of Rs. 3,800,000 during the year.

In order to fulfill the objectives of the project, proper instructions should be given to the GramaShakthi Associations.

Circulars, specific to this programme, had been issued in the year 2019. As such, an optimal investment could not be made thereon in the year 2018.

2.3 Deposit Balances

Audit observations relating to the deposit balances are as follows.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) A report of the Technical Officer had not been obtained on 39 projects under which works had been completed at 02 Divisional Secretariats with maintenance period elapsed; instead, a sum of Rs. 1,452,939 had been retained in the General Deposits	Before paying the monies retained at hand from the project funds, to the contractor at the end of the period of maintenance, a report of the Technical Officer should be obtained on the current situation of the contract	Having apprised the contractor of the 35 projects in Ududumbara and 04 projects in Medadumbara, action has been taken to obtain the reports of the Technical Officer and settle the sums by informing the PradeshiyaSabhas.

Account without being settled.

- (b) The sum of Rs. 90,000 given to the Divisional Secretariat, Pasbage on 25 October 2018 for renovating a Hindu temple, had been retained in the General Deposits Account even by 08 February 2019 without being utilized.
- The relevant projects should be implemented without retaining the monies over extensive period in the deposit account.
- The Committee of the Hindu temple had requested at the field inspection that the said sum be utilized on a new Hindu temple proposed to be built newly. However, the Department of Cultural Affairs had informed that the proposal could not be revised. Action is being taken to continue the project in the year 2019.

3. Operating Review

3.1 Planning

The deficiencies observed in performance in terms of the Public Finance Circular, No. 2014/01, dated 17 February 2014, are as follows.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) The development programs that should have been carried out in compliance with the budget for the year 2018, had not been included in the Action Plan prepared by the District Secretariat, Kandy for the year 2018.	The Action Plan should be prepared in accordance with the Circular.	The Action Plan for the year 2018 had been prepared by including the development programs to be carried out in compliance with the budget, at the level of scope of the officers. It is informed that information has been included at division level in preparing the budget for the year 2019.
(b) Information relating to the approved and actual cadre had not been included in the organizational structure of the institute.	The Action Plan should be prepared in accordance with the Circular.	Although the said information had been included in a separate report, that information had not been included in the Action Plan. It is informed that this would be included in the Action Plan for the year 2019.

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| (c) Duration of the annual Action Plan had not been mentioned. | The Action Plan should be prepared in accordance with the Circular. | The timeframe has been shown in accordance with quarters in the Action Plan. |
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3.2 Failure to Achieve the Expected Level of Output

Audit Observation	Recommendation	Comment of the Accounting Officer
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The project for construction of the new building at the Divisional Secretariat, Ududumbara of which the agreement had been signed on 12 December 2017, had been revised in 3 instances by May 2018, thus proposing to construct a three storey building instead of two. The gap resulted in due to construction of a concrete wall later at the location by removing soil at the site of construction, had been filled with soil.	The project should be implemented in accordance with properly approved architectural designs and estimates.	Despite being planned to construct a two storey building, a concrete retention wall was built at the rear of the building considering the nature of the land so as to construct a three storey building, thus revising the plan to construct a conference hall. As such, soil needed to be removed, and once the wall was built, it was necessary to fill the empty space.

3.3 Procurements

The audit observations in this connection are as follows.

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) The minimum registration of CIDA/C4 had been requested relating to the contract for the construction of new building at the Divisional Secretariat,	Action should be taken to achieve the objectives mentioned in Paragraph 1.2 of the Government Procurement Guidelines - 2006	The estimate was given under 2 stages.

Ududumbara for which bids had been called for the value of Rs. 97 million through newspaper advertisements.

Once the increased cost on works due to the plan being revised, was taken into consideration, the total cost of the project amounted to Rs. 134 million. Although the contractor should have been CIDA/C3 qualified to act in that financial limit, the relevant contractor had not met that requirement.

- (b) A sum of Rs. 4.2 million had been spent on the project for the construction of a new building at the Divisional Secretariat, Ganga IhalaKorale which had not been either planned to be done in the year under review or included in the Action Plan.
- Action should be taken in accordance with the Procurement Plan. In case of changes, the Procurement Plan should be updated.
- It was prepared due to reasons such as, this construction was identified as being essentially necessary at the office inspection, and it was decided that improvement of the land division was necessary.

3.4 Assets Management

The following audit observations were made in this connection.

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) No buyers had expressed interest to buy a finger scanner, cabinets, and doors valued at Rs. 80,500 despite being auctioned. However, no appropriate action had been taken by 02 Divisional Secretariats in that connection.	Suitable action should be taken following the instructions of the supervising officers relating to unsold items.	Due to lack of provision in the year 2019, the finger scanner of the Divisional Secretariat, Delthota, could not be repaired. Suitable action will be taken in the year 2019 on the rest of the items.
(b) Action had not been taken to reuse 05 items of goods that the Board of Survey of the Divisional Secretariat, Ganga IhalaKorale had recommended to be used after being repaired.	Decisions of the Board of Survey should be implemented without delay.	It is expected to repair and make use of those items after receiving the provision.

3.5 Securities of the Government Officers

Audit Observation	Recommendation	Comment of the Accounting Officer
Forty officers of 5 Divisional Secretariats entitled to give securities, had not done so. Furthermore, action had not been taken to obtain bank passbooks and	Action should be taken on the officers who should provide securities in accordance with Public Administration Circular, No. 1/99, dated 09 April 1999, and Financial	Action has been taken to obtain security deposits. Action is being taken to resolve other issues relating to surety deposits.

information relating to Regulation 891 (4) & securities from the 893. relevant institutions in regard to 11 officers transferred in from 3 Divisional Secretariats. Moreover, bank passbooks of 17 officers who had served 05 Divisional Secretariats before being transferred to other Government institutions, had not been sent to the relevant institutions as well. Security deposits produced by 22 retired officers, had not been released by 05 Divisional Secretariats.

3.6 Losses and Damages

The following audit observations were made in this connection.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) According to the register of damages on vehicles, 03 vehicle accidents valued at Rs. 42,528, had not been shown under "Statement of losses and omissions – Note (i)" in the financial statement of the year 2018.	All the damages on vehicles should be included under "Statement of losses and omissions – Note (i)" in the financial statement.	Could not be included by mistake. Will be included in the financial statements of the year 2019.
(b) Four losses and damages valued at Rs. 4,998,544 included under the statement of losses to be further	Only the information relating to losses and damages to be further recovered or written off, should be included in the financial statement.	Happened due to a mistake.

recovered or written off in the financial statement, had been recovered, but shown as losses to be recovered in full in the financial statements.

- (c) Recoveries and write offs totaling Rs. 382,209 relating to 06 accidents occurred in the preceding years, had been shown as recoveries and write offs done during the year.
- Only the recoveries and write offs relating to the year, should be shown in the financial statement.
- As those values had not been included in the Appropriation Account in the preceding years, they have been included in the financial statements of this year as write offs.
- (d) Approval had not been obtained from the Secretary to the Ministry and the Director General of the Department of State Accounts on the repair costing Rs. 2,223,927 in regard to the accident taken place on 05 May 2017 involving the vehicle, No. CP PD – 6103 belonging to the Divisional Secretariat, Udapalatha. The loss of Rs. 210,093 not recovered so far, had not been recovered from the parties responsible.
- Approval should be obtained for the repair in terms of the Circular. The non-recovered loss as per the final report, should be recovered in terms of Financial Regulations.
- In order to recover the loss sustained by the Government as per the report of inquiry in terms of Financial Regulation 104 (4), legal action has been taken following instructions of the Attorney General.
- (e) It was recommended that the sum of Rs. 288,348 spent on
- Action should be taken to recover from the parties responsible for the loss.
- No final decision had been taken with respect to the said vehicle accident.

repairing the vehicle, No. WP PA – 4984 of the Divisional Secretariat, Ganga IhalaKorale, that had met with an accident on 18 November 2008, be recovered from the then Divisional Secretary. However, due to appeal made by her, the loss had not been recovered despite a lapse of 11 years from the date of accident.

No agreement had been reached at the meeting of the Audit and Management Committee in regard to the accident.

It was informed to come to the Ministry of Home Affairs on 30 May 2019 with the report of the Committee appointed by the District Secretariat following discussions at the meeting of the Audit and Management Committee.

- (f) The vehicle, No. CPPD-0900 belonging to the Divisional Secretariat, Ganga IhalaKorale, had met with an accident on 11 June 2015, and the expenditure thereof amounted to Rs.3,402,652. An indemnity of Rs. 2,972,486 had been received from the insurance company though, it was not verified as to how the value of Rs.430,165 not paid by the insurance policy, had been covered.
- Action should be taken to recover the loss from the parties responsible.
- In order to obtain approval on the new board of inquiry appointed in terms of Financial Regulation 104 (1) so as to revise the final report of inquiry as per Financial Regulation 104 (4), the Secretary to the Ministry of Internal & Home Affairs and Provincial Councils & Local Government has been requested.

3.7 Uneconomic Transactions

The audit observations made in this regard, are as follows.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Five officers of 3 Divisional Secretariats, after obtaining motorbikes, had been transferred to other posts which motorbikes had not been entitled to; nevertheless, the market value of the motorbikes totaling Rs. 688,500, had not been recovered from them.	The market value of the motorbikes should be repaid in terms of the Letter, No. BD/GPS/130/9/14/MC-ii of the Director General of National Budget Department, dated 07 July 2015.	The 03 officers of the Divisional Secretariat, Udapalatha have been attached to the Ministry of Hill Country New Villages, Infrastructure & Community Development. Their salaries are paid by that Ministry. The officer of Patadumara has not paid so far, and as the appointment of the officer of Yatinuwara had been cancelled, the Attorney General has been requested for instructions.

3.8 Management Inefficiencies

The audit observations made in this regard, are as follows.

Description on the Audit Query -----	Recommendation -----	Comment of the Accounting Officer -----
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(a) Delays ranging from 01 to 26 years occurred in 53 instances were observed in the test check on the acquisition of lands relating to 07 Divisional Secretariats. As such, the objectives expected from the acquisition of lands, could not be achieved.	Acquisition of lands should be done promptly in terms of provisions set out in the Land Ordinance.	Delays occur in the acquisition of lands as various steps have to be carried out by other institutions. However, action is taken to complete acquisition as soon as possible despite the delays.
(b) Of the lands taken over by the Government from the village named	Action should be taken in accordance with the State Lands (Recovery	The extent of land being encroached is 14.4 perches. The Head of the Institution has been

.Ibbanwewa located in the city limit of Pussellawa in the division of Divisional Secretariat, Udapalatha, an extent of 32.66 perches had been encroached by 05 persons. However, no action had been taken to recover the land under the State Lands (Recovery Of Possession) Act, No. 7 of 1979.

Of Possession) Act, No. 7 of 1979.

authorized in terms of State Lands (Recovery Of Possession) Amendment Act, No. 7 of 1979.

- (c) The instructions given by the Commissioner General of Lands that the transfer of the Government-owned land plot, No. A/106/728LDOOA/0568 /2015 in the division of Divisional Secretariat, GangawataKorale, to a sister of the initial owner of that land on a bogus affidavit after his demise irrespective of his spouse and children still alive, before being transferred to another person, was illegal; as such, the error in transferring the initial ownership should be rectified. However, such instructions had not been followed.
- The transfer of the initial ownership should be done in terms of provisions of the Land Development Ordinance whilst taking action in accordance with instructions of the Commissioner General of Lands.
- According to Schedule III of the Land Development Ordinance, the right should be transferred to the next successor. The Commissioner of Lands had been queried last on 08 April 2019.
- (d) Of the 120 families living in areas of the Divisional Secretariat, Medadumbara recommended as being highly risky by the National Buildings
- Action should be taken to resettle the families living in highly risky areas in suitable locations as soon as possible.
- Even though 120 families had been identified for resettlement, compensation had initially been approved for 07 of the families. Resettlement of the rest of the families has been commenced.

Research Organization in the years 2017/2018, only 07 families were being resettled whilst no action was taken for the resettlement of the other 113 families.

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| (e) | No further action had been taken by the Divisional Secretariat, Thumpane on 07 persons who had encroached lands by inheritance for residence and agricultural activities. | The GramaNiladharis should apprise the Divisional Secretary once in two weeks on the encroachment of lands. After having examined in that connection, action should be taken to settle the land. Otherwise, action should be taken to give the land on lease (annual, long term) thus obtaining a revenue for the Government. | It is planned to hold a land Kachcheri, and further action will be taken. |
| (f) | Six non-staff grade officers of 06 Divisional Secretariats had exceeded the approved number of holidays (1/20), and obtained holiday pay totaling Rs. 12,302 for 10 days. | Action should be taken in terms of the Circular. | Action is being taken to recover the monies overpaid. |
| (g) | A sum of Rs. 1,771,687 had remained recoverable as at 31 December 2018 from the advance of Rs.4,303,617 granted to the Cooperative Society of Minipe in order to purchase paddy. | Action should be taken to recover the monies in accordance with the decisions of the Public Accounts Committee. | Progress is reviewed at the meetings of the Audit and Management Committee. |

4. Achievement of Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Accounting Officer
The District Secretariat had not prepared plans relating to Sustainable Development Goals in accordance with the “2030 Agenda” on sustainable development adopted by the United Nations.	As the Government of Sri Lanka is preparing to achieve the Sustainable Development Goals by the year 2030 in accordance with the “2030 Agenda” on sustainable development adopted by the United Nations, all of the public institutions should contribute thereto.	Accepted at the meeting of the Audit and Management Committee, and stated that attention would be drawn thereon. Included in the Plan for the year 2019.

5. Good Governance

Rendering Services to the Public

Audit Observation	Recommendation	Comment of the Accounting Officer
According to the Right to Information Act, the relevant officer should acknowledge the receipt of the request as soon as a request is received, and the request should be answered or turned down within a period of 14 days. However, as for 04 Divisional Secretariats, there were 3 instances in which the request for information had not been acknowledged whilst the delay relating to 08 instances in which information had either been provided or refused, ranged from 26-357 days.	Action should be taken in terms of Sections 24 (3) and 25(1) of the Right to Information Act, No. 12 of 2016.	A delay had occurred in Divisional Secretariats to respond to the request for information.

6. Human Resource Management

 The audit observations made in this connection, are as follows.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Action had not been taken by the institute to fill 307 vacancies existed by the end of the year under review.	Vacancies should be filled to maintain the quality of service.	Vacancies are referred to the Department of Management Services tri-monthly.
(b) As at 31 December 2018, seventy four GramaNiladhari vacancies existed in 1187 GramaNiladhari divisions pertaining to 20 Divisional Secretariats in Kandy district.	Vacancies should be filled to maintain the quality of service.	GramaNiladharis are recruited by the Ministry of Internal and Home Affairs.