

## **Head 260 District Secretariat, Nuwara Eliya**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head-260, District Secretariat, Nuwara Eliya for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on these financial statements of the District Secretariat, Nuwara Eliya in terms of Section 11(1) of the National Audit Act, No.19 of 2018 was issued to the Accounting Officer on 26 May 2023. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 24 May 2023 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, Nuwara Eliya as at 31 December 2022, 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 are consistent with the preceding year,
- (b) The following recommendations made by me on the financial statements of the preceding year had been correctly implemented.

## 1.6 Comments of the Financial Statements

### Accounting Deficiencies

#### (a) Recurrent Expenditure

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
The solar power system of the Hanguranketha Divisional Secretariat had added 5024 units of electricity to the national grid and it had consumed 7999 units. In posting the expenditure on electricity to the accounts, bills had been settled by offsetting the consumed amount against the produced amount of units. Consequently, the income related to 5024 electricity units and the expenditure related to 7999 units were not revealed in the financial statements.	Only the difference after offsetting the produced number of units against the consumed number of units is posted to accounts, and therefore, the expenditure related to the number of units produced and the income could not be separately disclosed in the financial statements.	Income and expenditure should be posted to accounts.

#### (b) Capital Expenditure

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
According to the expenditure ledger, the purchase of machinery was Rs. 3,971,948 and it was Rs. 3,779,948 in the statement of non-financial assets (ACA 06). Accordingly, a difference of Rs. 192,000 was observed.	Even though the assets of the Ambagamuwa Divisional Secretariat were shown under the acquisition of assets in the final report, it was added under the addition to the opening balance of the statement of non-financial assets in the Treasury printouts, thus resulting in this difference.	Action should be taken to compare the Treasury books and departmental books and thereby, correct the differences.

#### (c) Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Lands and buildings of 05 Sub-Divisional Secretariats had not been assessed and brought to account.	Since the buildings housing the Kothmale, Nuwara-Eliya and Walapane sub-offices are owned by other institutions, action will be taken to account for them once the ownership is vested. The buildings housing the Ambagamuwa and Hanguranketha Sub-offices will be assessed and accounted for.	Assets should be brought to account.

**(d) Imprest Balance**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
An imprest balance of Rs.900,878 as stated in ACA-3 Imprest Reconciliation Statement continued to exist from the year 2013 and remained unsettled settled even by the end of the year under review.	This matter has been referred to the Attorney General's Department for legal proceedings.	Action should be taken to clear the unsettled advance balances.

**2. Financial Review**

**2.1 Irregular Transactions**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Under the National Agriculture Home Garden Development Programme implemented during the year under review by the Kothmale Divisional Secretariat in parallel with the Samurdhi Division, 117,560 plants in different varieties had been purchase at a cost of Rs. 529,020 from the Samurdhi Office for 2939 home gardens without following the procurement procedures. The bills were not submitted along with the vouchers related to this payment.	The Divisional Secretariat has released the relevant funds to the Samurdhi Bank managers and those funds have been credited to the personal accounts of the relevant nursery owners.	The Procurement Guidelines should be followed.

**3. Operating Review**

**3.1 Failure to Achieve Expected Outcome**

**The following observations are made.**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) A sum of Rs. 1,081,650 provided to the Ambagamuwa Divisional Secretariat on 06 occasions by the National Elders Secretariat was retained in the General Deposit Account even by 31 December of the year under review without being utilized for its intended purpose.	Not commented.	The relevant money should be utilized for the intended purpose.

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| (b) | In relation to the project for the installation of solar power system for religious places in Nuwara-Eliya district under Gamperaliya Rapid Rual Development Programme, 2019, the Ambagamuwa Divisional Secretariat had installed solar power systems in 14 religious places at a cost of Rs.17,200,380. However, the electricity generated from those solar systems had not been integrated to the national grid even as at the end of the year under review. | Action will be taken to settle this matter in consultation with the Ceylon Electricity Board. | Action should be taken to integrate the generated electricity to the national grid. |
| (c) | A sum of Rs. 1,730,000 provided for various development programmes by the Department of Hindu Religious and Cultural Affairs was retained in the General Deposit Account by the Ambagamuwa Divisional Secretariat even by 31 December of the year under review without being utilized for its intended purposes.   | Plans have been drawn to implement and complete these projects within this year.              | Received funds should be utilized for the intended purposes.                        |

### 3.2 Abandonment of Projects Without Completion

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) By the letter of the Director General of the Disaster Management Center No. DMC/Miti/Pro/NuwaraEliya/2021/01 dated 04 May 2022, action had been taken to suspend the activities of the project aimed at mitigating the risk of rock falling in the village of Gangaragolla, Walapane. Although Rs. 18,912,660 was paid for the aforementioned project as at 31 December 2021, it was not possible to achieve the expected objective and the outcome of the project due to non-completion of it.	A proposal has been made to the Ministry to provide necessary provisions to complete the project.	After obtaining provisions, action should be taken to complete the works under a formal supervision.

### 3.3 Delays in the Execution of the Projects

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
While the micro water supply sets were not provided to 30 beneficiaries, the Agriculture Director's Office had written cheques to the value of Rs. 3,239,975 for micro water system and other accessories and subsequently, that amount was credited to the General Deposit	Twenty micro water supply sets related to the year 2021 have not been received. Action will be taken to prevent these types of incidents	Cheques should not be written without receiving goods and the project should be completed under a

Account. Although the Letter No. in the future. GA/NE/AGRI/YE project dated 31 December 2021 of the District Director of Agriculture addressed to the Additional Director of the Ministry of Agriculture stated that the progress of this project was 100 percent, no progress had been achieved in the project even by the end of the year under review.

proper supervision.

### 3.4 Projects without progress despite the release of funds

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The Watawala Vocational Training Center, the Self-Employment Training Center on the upper floor of the Vidulipura South Library, a factory building for the Maskeliya self-employed and the Kiriwaneliya Pathana community hall built at a cost of Rs.5,849,155 between 2015 and 2022 by the Ambagamuwa Divisional Secretariat remained idle without being used for the relevant purposes even by the end of the year under review.	Action will be taken to bring the relevant buildings to usable condition with the assistance of the non-governmental institutes.	Relevant buildings should be completed and used for the related purposes.
(b) Twenty nine safe houses built in the year 2019 at a cost of Rs. 8,992,000 in Nuwara Eliya Divisional Secretariat division with the aim of increasing the income of flower growers in Nuwara Eliya district were dismantled and given to the Walapane Galkadapathana Grama Shakthi People's Society. Nevertheless, those houses remained idle without being used for any productive purpose. Two safe houses were damaged and one had been misplaced, resulting in a loss of Rs. 843,000 to the Government.	Action will be taken to complete the project with the assistance of the non-governmental organizations.	Action should be taken to achieve the intended purposes.

### 3.5 Management Weaknesses

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Two vehicles worth totaling Rs. 5,683,929 owned by the District Secretariat remained idle or underutilized without being taken action in accordance with Financial Regulation 802 (1).	One vehicle remains underutilized at present and further steps regarding the other vehicle will be taken once the Ministry approval is granted.	Action should be taken to use the relevant vehicles.