

Head 261 – Galle District Secretariat

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 261- Galle District Secretariat 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. This report included with my comments and observations on the financial statements submitted to the Accounting Officer on 10 May 2023 in accordance with section 11(1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was submitted to the Accounting Officer on 10 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 Galle District Secretariat as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

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

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer 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 skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5. Report on Other Legal Requirements

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

- (a) 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 not been implemented.

Reference to paragraphs of the report relating to the preceding year	Recommendation that was not implemented	Reference paragraph in this report
1.6.1 (b) (ii)	All assets owned by Divisional Secretariats should be assessed and accounted the value.	1.6.1(a)(iii)
1.6.1(b)(iv)	All lands and buildings assigned to Divisional Secretaries should be assessed and accounted.	1.6.1(a)(iv)

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

The following deficiencies are revealed in accounting of Property, Plant and Equipment.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) The vehicles and machineries worth Rs.411,264 received from other expenditure heads to the District Secretariat during the year under review were accounted under assets without properly taken over.	Assets purchased under expenditure head of the Ministry of Public Administration, Home Affairs and Justice have been allowed to be inventoried under the assets of the District Secretariat.	Only legally owned assets should be accounted under assets of District Secretariat.

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| (ii) | According to CIGAS BOS summary report, the total value of 03 assets categories was Rs.207,863,520 and there was observed a difference of Rs.175,496,959 due to the value was Rs.32,366,561 according to the information about the asset values obtained from the Divisional Secretariats. | These differences have occurred due to omissions in providing information by the Divisional Secretariat. | The asset value of the CIGAS summary report and the Divisional Secretariats should be the same. |
| (iii) | The Piyadigama student corps building belonging to the Kadawathsathara Divisional Secretariat and the Madampagama new Divisional Secretariat building were not assessed and not accounted the value. | The Valuation Department has been referred for valuation of the buildings but as the reports have not been received, the value has not been accounted. | Valuation of assets should be completed immediately and accounted the value. |
| (iv) | 107 Acres of land and 125 buildings of 78 closed schools handed over to Divisional Secretariats had not been assessed and accounted at the end of the year under review. | Action is being taken to taken over 31 schools as further work can be done. | Valuation of assets should be completed immediately and accounted the value. |

(b) Imprest Balance

Audit Observation	Comments of the Accounting Officer	Recommendation
Due to a cheque fraud in the Karandeniya Divisional Secretariat in the year 2006, the outstanding balance brought forward as at 31 December 2022 was Rs. 115,536.	Charged from relevant person as installments.	Arrears should be collected promptly and should be settled the outstanding balances.

2. Financial Review

2.1 Utilization of funds provided by other Ministries and Departments

Audit Observation	Comments of the Accounting Officer	Recommendation
A total of Rs.3,347,788,862 had been allocated from 26 ministries, 16 departments and other institutions by the end of the year under review and Rs.3,184,403,320 had been utilized. Accordingly, allocation of Rs.163,385,542 had been saved.	The reduction in field allowances of officers has been mainly due to various reasons.	The allocations received from other ministries and departments should be utilized maximally.

2.2 Informal Transactions

The following observations are made.

(a) Unauthorized Payments

Audit Observation	Comments of the Accounting Officer	Recommendation
A Samurdhi Development Officer of the Yakkalamulla Divisional Secretariat had served as the Chairman and a member of the Director Board of the Southern Provincial Road Development Authority since 10 December 2019. As per section 1.3 of Chapter XXX of the Establishment Code, without obtaining the permission of the Secretary in advance, a total of Rs.612,692 as a Samurdhi Officer from December 2019 to April 2021 and Rs.1,165,625 as the salary and advances for the Chairman of the Road Development Authority in related to that period had been obtained informally.	A letter was sent on 14 March 2023 informing the relevant Samurdhi Development Officer to pay the salary paid by the Samurdhi Development Department from 21 October 2021 to July 2021 within one month.	Action should be taken to recover payments made informally and without proper approval.

(b) Vouchers not accepted for payment

Audit Observation	Comments of the Accounting Officer	Recommendation
The cheque dated 30 August 2022 was prepared for the payment of Rs.865,450 for the supply of 1,822 one month old village chicks for livelihood development under the Discussion with Village (“Gama Samaga Pilisadara”) programme implemented by the Elpitiya Divisional Secretariat. The cheque was retained for almost 07 months as the chicks were not supplied by the audited date of 23 March 2023. Although in the case of supplies in terms of Financial Regulation 137(5), payment for supplies should not be approved without ensuring that they have been properly checked and handed over, but it had done controversially to that.	A part of the project has been completed and the supplier has promised to supply these chicks in future as this project was very important for the current situation of the country. So, a cheque was written for this amount and retained.	Payment should be made after confirming that the goods have been received.

2.3 Deposit Balances

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Action had not been taken as per Financial Regulation 571 regarding the overdue deposits of Rs.239,462,961 related to the District Secretariat and 22 Divisional Secretariats.	It has been informed that further steps will be taken to release these deposits or if they are not released, they will be taken into revenue.	Should be act as per Financial Regulations.
(b) The amount of Rs.10,000,000 given by Chamila Somarathna Foundation on 31 December 2019 for the construction of the Madampagama Divisional Secretariat had been retained in the deposit account without being used for the related construction activities even on 31 March 2023.	As the Madampagama Divisional Secretariat has not yet started the construction work, the amount has been retained in the deposit account.	The money received for a specific purpose should be used for the relevant purpose.

3. Operating Review
3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
The physical targets for the Rural Development Project, Local Government Division Development and Rural Livelihood Development Project under the programme of Discussion with Vallage (“Gama samaga Pilisadara”) implemented by 22 Divisional Secretaries are Rs.9,616,3,666 and 3,081 respectively, but the physical progress of those projects was 2,160,771 and 448 respectively. Accordingly, it was observed that 7,456 rural development projects, 2,895 local government division development projects and 2,633 rural livelihood development projects were not completed.	Due to suspension of the implementation of development projects by the National Budget Circular 3/2022, the desired targets have not been achieved.	The projects planned by the Action Plan should be carried out in that way and if not, the plans should be revised.

3.2 Locally Funded Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
The total bill value recommended by the project consultant as at 16 March 2023 was Rs.966,723,463 in relation to the construction of the auditorium with 2000 seats, which was started in the year 2019 at an estimated cost of Rs.3,154,877,678. Although this was 30 percent of the estimated value, its physical progress was as low as 15 percent and payments of Rs.195,170,420 had been made for that. At that time, the advance money of Rs.426,330,247 given to the contractor had not been recovered. The work on this project had been stopped by 31 December of the year under review and the advance bonds and insurances had expired and due to that, there was a risk of further recovery of the uncollected advance money.	It has been informed that the construction of the project has been temporarily stopped and that the extension of the bond period should be done by the Ministry of Home Affairs.	Action should be made to recover the advance paid and appropriate action should be taken in related to the construction done yet.

3.3 Procurements

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although a formal agreement should be entered for the purchase of goods and services exceeding Rs.500,000 as per 8.9.1 of the Code of Procurement guidelines, The Imaduwa Divisional Secretariat had not been entered into agreements in 11 instances of purchase of goods and services totaling Rs.19,227,845.	It has been informed that these deficiencies will be corrected in future.	Should be followed procurement guidelines.

3.4 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
A car belonging to the District Secretariat with a gross value of Rs.1,000,000 was parked in the garage of the office from 10 March 2020 to 20 July 2022 and the Bataganwila tourist bungalow premises until the audited date of 27 March 2023.	It has been informed that repairs will be made in future under the recommendation of the motor vehicle inspector.	Appropriate action should be taken on unused assets.

3.5 Uneconomical Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
Although interim order 38(a) had been issued on 20 July 2001 to acquire land for the government to construct the Information Technology Center of Baddegama Divisional Secretariat, the compensation was paid on 18 November 2020. An interest amount of Rs.10,790,740 had to be paid.	No provision has yet been made for the payment of this interest money.	Action should be made to avoid unnecessary expenses due to delays.

3.6 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the loan amount given to Samurdhi beneficiaries by 4 Samurdhi Bank Associations affiliated TO Balapitiya Divisional Secretariat, an amount of Rs.11,287,644 of 197 borrowers was overdue until 28 February 2023 and Rs.7,602,302 of 174 borrowers were identified as bad debts and out of the deposits maintained by the beneficiaries, Rs.552,845 of 3,026 persons were identified as inactive deposits.	Action has been taken yet to recover overdue debts and recover bad debts.	Action should be taken for immediate recovery of the loan amount and appropriate action should be taken in related to debt amount.
(b) Out of the 12 tasks that could have been performed by the government land information management system maintained by the Balapitiya Divisional Secretariat, the Divisional Secretariat had performed only 02 tasks. Officers were not trained to carry out all the tasks efficiently through this system which was started in the year 2017.	No training programme has been provided to the officers in this regard and the only computer provided had to be repaired due to a technical error.	Action should be made to utilize the established management information system with maximum efficiency.

4. Good Governance

4.1 Providing Services to the Public

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Only 105 out of the 319 home beneficiaries in Ambalangoda Divisional Secretariat area had been given the deeds by 31 December 2022 in the distribution of deeds to those displaced by Tsunami disaster that occurred on 26 December 2004.	Further steps are being taken to distribute the remaining deeds.	These tasks should be completed immediately.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
604 Excess officers had been employed in the staff of the institution without formal approval by the end of the year under review.	The Establishment Director has been informed about this.	Action should be made to fill up vacancies and regularize excesses.