

Head 259 – District Secretariat, Matale

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Head 259 – District Secretariat, Matale 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 the financial statements of the District Secretariat – Matale was issued to the Accounting Officer on 10 May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 15 May 2023 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the District Secretariat, Matale as at 31 December 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 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 judgment 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 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 Chief 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 submitted to the audit had not been consistent with the financial statements of preceding year as per the audit observation mentioned in paragraph 1.6 (a) of this report.
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments of the Financial Statements

Accounting Deficiencies

Property plant and equipment

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) There was a difference of Rs.1,281,996 when comparing the closing balances of other machinery and equipment included in the financial statements as on 31 December of the previous year with the opening balances of the financial statements of the year under review.	The letter No. DSM/ACC/8 dated 24 April 2023 has been directed to take advice from the Public Accounts Department regarding this non-reconciliation.	Discrepancies should be identified and account balances should be corrected.
(b) Even though the amount of added non-financial assets in the year under review was Rs.4,156,108 according to the statement of treasury accounts related to the non-financial assets, it was Rs.4,027,588 according to the trail balance, and therefore there was a difference of Rs.128,520.	The letter No. DSM/ACC/8 dated 24 April 2023 has been directed to take advice from the Public Accounts Department regarding this non-reconciliation.	The balances of the statements of treasury account should be compared with the balances of the District Secretariat and the account balances should be corrected.
(c) Even though the disposal was Rs.4,666,239 under the category of transport equipment and other machinery and equipment assets in the year under review according to the statement of treasury accounts, its value was Rs.5,740,214 according to the trail balance, and therefore there was a difference of Rs.1,073,975.	The letter No. DSM/ACC/8 dated 24 April 2023 has been directed to take advice from the State Accounts Department regarding this non-settlement.	The balances of the statements of treasury account should be compared with the trail balance of the District Secretariat and the account balances should be corrected.

- (d) 03 buildings worth Rs.17,586,000 belonging to Galewela Divisional Secretariat had not been accounted under non-financial assets. It will be accounted in the future as soon as the valuations are received. All assets should be represented in the financial statements.

2. Financial Review

Fraudulent transactions

Audit Observation

Comment of the Accounting Officer

Recommendation

The District Secretariat had paid Rs.99,356 for the days in which the service for cleaning work was not taken from the supplier in the year under review.

Since there is no agreement when enter to the contract with the cleaning service provider reduces in such situation, the recovery cannot be made.

Payment should be based on the number of working days in each month.

3. Operational review

3.1 Non-achievement of expected Output Level

Audit Observation

Comment of the Accounting Officer

Recommendation

13 out of 38 animals that were distributed to 24 beneficiaries by Goat Distribution Project under the Livelihood Development Program of Ratthota Divisional Secretariat had died and,1428 plants had destroyed and 1050 had not planted out of the 7,000 plants that were distributed by the tea plant distribution project.

Animals have died due to extreme cold. Farmers Insurance Board has been informed to obtain insurance compensation for dead animals.

The beneficiaries have been informed about the maintenance of tea plants by the project officer of Small Tea Estate Authority. That it has been informed to plant new plants instead of dead plants.

Feasibility reports should be based in project implementation and a proper follow-up process should be maintained.

3.2 Non-achievement of expected Outcomes

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although an expenditure of Rs.2,608,000 had been incurred as at 07 April 2022, due to the existence of further work to be done, the building of Ratthota, Ambagasthenna pepper processing center remained idle.	An estimate of Rs.3.17 million has been prepared for the completion of the work and the work can be completed after receiving the relevant money.	The construction should be completed and used for the intended purpose.
(b) Production had not been done using 06 self-employment equipment given to the beneficiaries of Laggala and Yatawatta divisional secretariats during the period from January to June of the year under review by the State Ministry of Rattan, Brass, Clay, Furniture and Rural Industrial Promotion on the government contribution of Rs.413,987.	The equipment of beneficiaries who do not commence the production will be taken back and given to a suitable beneficiary.	The relevant equipment should be used for the intended purpose.
(c) The printing machine of Rs. 88,900 had been given to the Miniranketiya Bag and Shoe Manufacturers Society of Laggala Divisional Secretariat on 03 October 2022 and 04 pepper grinding machines and 04 pepper threshers totaled to Rs.1,100,000 that had been given to the beneficiaries of 02 Grama Niladhari divisions on 03 and 20 October 2022 under the Prosperity Production Village Program, had not been used even by the inspection date of 24 February 2023.	Actions will be taken to give training and make use of the relevant machines after receiving the provisions for the printing machines and, since the use of the grinding machine has decreased due to the decrease in the pepper harvest, to take necessary actions in the future to increase the harvest.	Necessary facilities should be provided to be able to use the relevant machines.
(d) 04 weeding machines and 03 compost shredding machines worth Rs.1,246,365 given to Digampathaha Big Onion Seed Production Society and 03 small hand tractors worth Rs. 444,000 given to Kalundeva-ParanagamaBig Onion Seed Production Society in the months of February and March 2022 under the	The arrangements have been made to produce big onions and seeds using these items in the Yala season.	Actions should be taken to achieve the desired objectives of the project.

Prosperity Production Village Program with the aim of encouraging onion seed producers in Dambulla Divisional Secretariat had been remained idle even by the inspection date of 07 February 2023.

3.3 Projects without Progress despite the release of Money

Audit Observation	Comment of the Accounting Officer	Recommendation
An amount of Rs. 19,700,715 which had been given to the societies of 59 Grama Niladhari divisions about 04 years ago for the GramaShakthi campaign in Ratthota, Laggala, Wilgamuwa, Ambangankorale and Naula Divisional Secretariat Divisions remained idle in the bank accounts without being used for the intended purpose.	The efforts are being made to bring the inactive societies back to active status in these days.	Purposeful tasks should be performed by using relevant funds.

3.4 Management weaknesses

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though a former Divisional Secretary of the Matale Divisional Secretariat was residing in the Divisional Secretary Scheduled Quarters from 11 January 2021 to 29 November 2022, rent had not been collected for that period.	Rs.29,558 of the amount to be recovered will be recovered in 12 installments each.	Relevant rent should be recovered.

4. Good governance

Rendering of Services to the Public

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Compensation amounting to Rs.1,782,898 for 30 house damages caused due to cyclone situation and 06 wild elephant damages in 09	It has not been possible to make payments due to non-receipt of provision as of 31 December 2022 and that	Necessary actions should be taken to pay compensation.

Grama Niladhari division of payments will be made Wilgamuwa Divisional Secretariat according to the priority as Division in the year under review had not been paid by the last day of imprest are received. the year under review.

- (b) Although the regional level responsibility and supervision of providing nutritional allowance to pregnant mothers is assigned to the Divisional Secretariats according to sub-section 4 of the Circular No. 06/2016 dated 11 April 2016 of the Secretary of the Ministry of Women and Child Affairs, the beneficiaries of Matale and Naula Divisional Secretariat Divisions had not received the feeding bag in 2015 occasions worth a sum of Rs.4,030,000.
- The instructions have been given to follow up on the mothers who did not receive the nutritional allowance and if there are people those who do not receive it, the divisional secretaries should personally investigate and deal with it.
- Matters related to non-receipt of nutritional bag should be investigated and necessary actions should be taken.

5. Human Resource Management

Audit Observation

There were 189 vacancies and 329 surpluses in the staff of the District Secretariat and Divisional Secretariats as at 31 December 2022.

Comment of the Accounting Officer

Recruitment of staff is done by the Ministry and vacancies are regularly reported.

Recommendation

Vacancies and surpluses should be investigated and necessary actions should be taken.