

## **Head 255 – Colombo District Secretariat**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head 255- Colombo 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. The summary report containing my comments and observations on the financial statements of the Colombo District Secretariat was issued to the Accounting Officer on 31 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 17 July 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 Colombo District Secretariat 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 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 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

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 recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Property, plant and Equipment

The following deficiencies were revealed while accounting property, plant and equipment.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) According to the statement of financial position of the year 2021, instead of bringing forward the total value of non-financial assets amounting to Rs.8,777,578,248 as at 31 December 2021 as the opening balance as at 01 January 2022, a difference of Rs.4,324,938,416 was observed as the recorded opening balance on that date was Rs.4,452,639,832.	It will be continued correctly on the advices of the Department of Public Accounts in this regard.	Opening balances should be carried forward correctly. If adjustments are made to the opening balance during the year, the adjustments should be clearly identified.
(ii) The value related to the Nilamedura administrative complex building was adjusted to Rs.4,385,958,383 as the work in progress as at 01 January 2022 was Rs.5,807,786,770 and additions and removals to it during the year under review were Rs.61,094,600 in the statement of the property, plant and equipment of the District Secretariat. Even after this removal, Rs.1,482,923,047 was stated in the financial statements as the work-in progress, a detailed schedule of that work in progress was not submitted to the audit. Also, the value related to this	That the Nilamedura complex has been built on government owned land in the custody of Colombo District Secretariat, That there are no legal provisions on how to entrust the government land to the ministry, That the value of this land has been included in the custody of the District Secretariat as the legal conditions have not been clarified regarding the change of custody of the	It should be disclosed through a note in the accounts as it is a controversial situation because that the ownership of the land is under the District Secretariat accounts and the ownership of the building is under the Ministry of Home Affairs, Local Government.

office building was removed from the accounting books, the value of the land on which the building is located was still included in the financial statements of this office.

immovable properties of such institutions as ministries are government institutions established from time to time.

- (iii) It was observed in the inspection of non-financial assets that instances also the assessed land and buildings owned by the Divisional Secretariat were not included in the statement of non-financial assets and the instances that were not included to the statement of non-financial assets as that were not assessed. 08 Assessed Nila Sewana offices related to Moratuwa and Padukka Divisional Secretariat and 03 non-assessed buildings related to Padukka Divisional Secretariat were observed.
- The estimated value of Borupana Sewa piyasa office and land which was not included in the CIGAS system is Rs. 7,500,000 and the value of the 07 Nila sewana offices assessed related to Padukka Divisional Secretariat is Rs. 12,467,993 will be included in the CIGAS programme and that non-assessed buildings are being assessed.
- Non-financial assets should be properly identified and accounted.

**(b) Reconciliation Statement on Advance Account for Government Officers**

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The balance of the Advance “B” account of the government officers as at 31 December 2022 was Rs.196,040,972 as per books of the District Secretariat and Rs.197,181,641 as per treasury books. This was due to that 09 years had passed since the year 2013, but an unsettled non-reconciled debit balance of Rs.1,150,694 and an unassigned loan balance of Rs.10,000 in the year 2022 and an under-assigned loan balance of Rs. 25.</p>	<p>Accept the audit observations and there is a non-reconciled debit balance of Rs.1,150,693 in the accounts after collecting Rs.46,438 from the relevant subject officer out of the reconciled debit balance of Rs.1,197,132 coming from the year 2014 and there is not adequate documents and records to trace this non-reconciled debit balance.</p>	<p>According to the treasury books and departmental books, the non-reconciled balance related to the difference should be settled immediately.</p>

(c) **Deposits**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although the deposit account balance as per Treasury statement (SA-30) was Rs.453,883,095, it was observed a difference of Rs. 10,000,000 as the balance was Rs.463,883,095 according to the books of the District Secretariat and the difference was due to the unsettled debit balance of Rs.10,000,000 as at 31 December 2022 in the General Deposit (Old) Account. Although more than 14 years had been passed, the date of this report had not been settled.	It has not been possible to reveal any further information in this regard and a letter has been sent to the Department of Public Accounts to resolve this issue based on the relevant instructions and guidance and the further action will be done after getting advices from the Department of Treasury operations according to the instructions of the Department of Public Accounts.	Action should be taken to settle the debit balance in the deposit account immediately.

(d) **Non-compliance with Laws, Rules and Regulations**

Instances of non-compliance with the provisions in laws, rules and regulations observed during the sample audit tests are analyzed and mentioned below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Amount</b>	<b>Non-compliance</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
	<b>Rs.</b>			
(i) Public Administration Circulars of Circular No. 05/2008 dated 06 February 2008		When an institution implements a citizenship charter, it should go through the steps of formally preparing, promoting, updating services, following up, evaluating and improving the citizenship charter. Moratuwa, Homagama and Dehiwala Divisional Secretariats had prepared a citizenship charter, but	The officers were instructed to act according to the circular provisions.	Should be act as per the circular provisions.

action was not done as per the said circular provisions.

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| (ii) Paragraph 10 of the Home Affairs Circular No. 16/2020 dated 18 September 2020 issued by the State Ministry of Internal Security, Home Affairs and Disaster Management | Although arrangements should be made to carry out inspection covering every Grama Niladhari office at least once in 04 months by Divisional Secretary, Assistant Divisional Secretary and Administrative Grama Niladhari, it was observed cases that were not done accordingly in relation to Moratuwa, Thimbirigasyaya, Dehiwala and Homagama Divisional secretariat offices. | Plans are prepared now to cover every Grama Niladhari office at least once in 04 months. | Should be act as per the circular provisions. |
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**2. Financial Review**

**2.1 Utilization of Provisions provided by Other Ministries and Departments**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
As stated in the letter issued by the Colombo District Secretary on 05 August 2022 to all Divisional Secretaries through letter No. DIST.CMB/ACC/2022, when receiving additional allowances, it was stated that the beneficiaries receiving more than one regular allowance shall be given one additional allowance only for one regular allowance. But it was observed that the number of beneficiaries whose allowance was duplicated was 446 and its value was Rs.2,676,000 due to it was not act accordingly when giving the additional allowance.	The number if duplicate payment is 426, because the number of Samurdhi beneficiaries on the waiting list should be removed. Rs.2,152,000 has been collected from the beneficiaries who have made duplicate payments yet and the remaining amount is also being collected.	The recovery from the beneficiaires who have made duplicate payments should be done promptly.

### 3. Operational Review

#### 3.1 Non-performance of Duties

Audit Observation	Comments of the Accounting Officer	Recommendation
Any activity out of the installing solar panels in 152 houses, conducting 65 self-employment training courses for selected groups affected by unemployment, providing training to 1000 people, developing 10 weekly fairs and providing 2500 sports equipments in the action plan were not performed during the year under review.	The goals mentioned in this action plan have been submitted as targets to be fulfilled throughout the year 2022. It has been advised to suspend all the projects that had not started work or procurement at that time in order to control the public expenditure according to the National Budget Circular No. 03/2022 dated 26/04/2022. Accordingly, the projects were implemented only in the first quarter of the year 2022 and the prices of the goods increased rapidly and the suppliers failed to supply the goods in that too. Due to those reasons, the desired goals could not be achieved.	Action should be done to achieve the goals mentioned in the action plan. If it cannot be done due to unavoidable reasonable reasons, the plan should be formally revised and approved.

#### 3.2 Delays in Project Execution

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
A contractor had been selected to build a new three-storey building for Homagama Divisional Secretariat and its bid value was Rs.152,753,294. It was Rs.50,516,706 less than the engineering estimate of Rs.203,270,000 submitted by the institute and after the clarifications given for that, the Cabinet Procurement Committee had given approval to award the construction contract to the institution subject to 02 conditions which are increasing the performance security up to 10 percent of the basic contract amount and subject to close supervision during the contract period.		

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| (a) | The contract was to be completed within 350 days after the work commenced on 06 January 2017, but the contract period was extended until 28 February 2018. However, due to that the contractor had abandoned the contract since March 2018, the said contract agreement was canceled on 31 July 2018. But, action was not taken against the contractor as per 8.11.4 of the procurement guidelines and there was not close supervision of the contractor's construction work as decided by the Cabinet Procurement Committee. | The agreement with the company that was contract for the construction of the three-storied building of the Homagama Divisional Secretariat has been canceled on 31.07.2018 and that was referred to the relevant line ministry to act as per 8.11.4 of the procurement guideline. | Should be taken proceedings against the contractor as per the procurement guidelines.                         |
| (b) | Only 20 percent of the total contract work had been completed and the time spent for it was 430 days at the time of cancellation of the contract agreement. Accordingly, due to 430 days had been spent for the work that should have been done in 70 days, there had been a delay of 360 days, but the late payments had not been calculated and levied.   | According to the final report prepared by the Building Department, it has been recommended to levy late payments up to the maximum limit as per the agreement in the contract.  | Late charges should be levied as recommended.   |
| (c) | The contract worth Rs.147,418,009 was awarded to the second contractor for the period of 365 days from 21 April 2021 to 21 April 2022 for the resumption of the construction work of this building, which was stopped on the way of the construction work. The contract period had been extended twice till 11 November 2022 and the contractor had been paid Rs.113,001,510 including Rs.22,053,602 as an advance for commencing work.   | Agree with the audit observations.  | The construction work should be completed as per the agreement.   |
| (d) | 6 Years had been passed till now since the construction work of this building commenced in the year 2017 and it was observed that over Rs. 120 million had been paid to the contractors for the construction of the building, but the construction work has not been completed yet to make the building as usable.  | Agree with the audit observations.  | The construction work of the building should be completed without delay and action should be made for use it. |



### 3.3 Bail of Public Officers

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>As mentioned in the section 04 of the State Ministry of Home Affairs Circular No. 04/2022 dated 16 March 2022, that the officer who bear financial responsibility should made action to deposit the full amount of the bail within 03 months after opening a savings account in the Public Service Mutual Provident Association or the National Savings Bank. It was observed in relation to Homagama and Moratuwa Divisional Secretariats that deposit of bails was not done according to the circular, the deposit documents were not updated, the bank balances of the savings passbooks related to the deposit were not updated and arrangements were not made to release the deposit passbooks related to the transferred and retired officers.</p>	<p>According to the circular, the officers were instructed to obtain bail deposits, to release the bail deposits of the retired officers and to update the bail deposit register.</p>	<p>Action should be taken to obtain bail deposits and update and maintain the bail deposit register as per the circular provisions.</p>

### 3.4 Losses and Damages

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>Although more than 10 years had passed until 31 December 2022 since the damage caused by the fire of the Colombo District Secretariat, it was not possible to recover or cut off the damages as the police investigations had not been completed in this regard and the value of the loss caused by the fire was Rs.92,606,688.</p>	<p>Police investigations have been conducted in this regard and the file has been filed in the division due to successful response has not been received and advise has been sought from the Department of Public Finance about the possibility of cut off this loss and it has been informed that cut off the losses before identifying the criminals may discourage ongoing criminal investigations and completion the investigations immediately and take legal action to recover the related loss from the criminals is the most suitable.</p>	<p>The losses and damages should be immediately investigated and action should be taken to recover from the relevant persons and solve the damages after that as per the provisions of Financial Regulations 101 and 156 of the Code of Financial Regulations regarding the disciplinary action against the officers and employees who are responsible for that and loss to the government.</p>

### 3.5 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The pensions were over paid irregularly to pensioners of the respective jurisdictions of 13 Divisional Secretariats in the Colombo district as Rs.1,514,127 due to conversion over payments, Rs.5,841,700 due to double pension over payments, Rs.1,355,952 due to further pension payments after the death of pensioners without verifying that, Rs.3,060,546 for living expenses, interim allowances and gratuity over payments and Rs.7,404,625 due to other reasons. The value of the pension paid to 210 pensioners was Rs.19,176,950 by 31 December 2022.	Most of these over payments are being recovered from the monthly pension and the reasons for the over payments have been identified and measures have been taken to avoid them.	Action should be taken to prepare the pensions properly and take necessary measures to pay the pensions after checking and pay the pensions only to the living pensioners and take immediate action to recover the excess payments.
(b) The ownership of the lands which are in the Divisional Secretairats of Colombo, Dehiwala, Kolonnawa and Kesbewa were not owned by that divisional secretariats and formal action had not been taken to take over their ownership until now.	The land belonging to the Colombo Divisional Secretariat has been identified for development purposes by the Urban Development Authority. The Western Provincial Land Commissioner has recommended that the plot of land where the Kesbewa Divisional Secretariat is located to be handed over to the Ministry of Home Affairs. Since the Kolonnawa Divisional Secretariat land is a land acquired for the establishment of the Divisional Secretariat and the land cannot be used for purposes other than the purposes for which it was acquired, legal action is being taken to evict the squatters currently in there.	Action should be taken to acquire and take over the land without delay.

Although the clear enjoyment of the land where the Dehiwala Divisional Secretariat is located has been handed over the Dehiwala Divisional Secretariat on behalf of the government, the Dehiwala Mount Lavinia Municipal Council has the legal right to the land according to the judgment given by the court due to the old and unclear deeds submitted by the Dehiwala Mount Lavinia Municipal Council.

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| <p>(c) The survey request 2016/26 had been submitted to the Superintendent of Surveys (Colombo) for preparing tracks with indicating as the stream reserve of Minimaru-dola reserve in Padukka Divisional Secretariat, which has been prepared tracking No. CO/PDK/2010/679 dated 21 June 2016, separately and the plots occupied and enjoyed by persons separately according to the order 228 of the Government Land Ordinance Act. Although reminder letters have been sent on 23 March 2019, 13 March 2020 and 02 December 2020 for the relevant measurement request, the tracking work has not been done yet.</p> | <p>According to the reminder letter sent on 02.12.2020 to the District Surveyor for the survey request 2016/26 to prepare a track for the land of Minimaru-dola reserve in Padukka Divisional Secretariat Division, that institution has referred this survey request to the Superintendent of Survey – Homagama on 08.01.2021. Further action will be taken after measuring activities.</p> | <p>Action should be taken to direct intervention of the District Secretary to inform the Surveyor General and done the related tasks as the Divisional secretariat has submitted sufficient letters, but the relevant work has not been done.</p> |
| <p>(d) The rental income related to the government offices located in Kotabodawaththa had not been collected from a long time and it had not been act as per the court order.</p>   | <p>It is informed to the Divisional Secretary of the Seethwaka to be transferred to the National housing Development Authority instead of the Manikkawatta land given in the settlement of the case assigned to the Supreme Court and also informed to the General Manager of the National Housing Development</p>   | <p>Further action should be taken in relation to tenants residing in quarters.</p>  |

Authority to get the decisions of the Board of Directors of the Housing Development Authority immediately and to implement them in order to take the necessary steps to improve the conciliation measures in that case.

#### 4. Achievement of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The achieved sustainable development goals in the annual performance report for the year 2022 stated the progress of 225 indicators under 14 sustainable development goals in 31 sectors under the performance of the sustainable development goals achievement and the progress of the 54 indicators out of that was lower than 50 percent.</p>	<p>It has failed to be achieved.</p>	<p>Action should be taken to achieve sustainable development goals for sustainable development.</p>

#### 5. Good Governance

##### 5.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The actual staff as at 31 December 2022 regarding the internal audit department consisted with a Chief Internal Auditor, 07 Development Officers and a Management Service Officer. 21 Audit queries were issued during the year under review in relation to the audit inspections of the District Secretariat and 06 Divisional Secretaries and it was only 25 percent from the expected as per the audit plan. Further, audit work was not done in 07 Divisional Secretaries in the year under review.</p>	<p>It was not possible to reach the targets due to reasons such as decreasing the government revenue due to covid 19 pandemic situation, limiting the import of fuel due to problematic situation of foreign exchange, providing advice in accordance with the Public Administration Circular 4/2022 regarding frugality in the use of fuel, public and private services not functioning properly due to the problematic situation of fuel</p>	<p>Work should be done according to the audit plan and if it is not possible to accomplish it as expected, it should be formally revised and approved.</p>

supply, government officers having to face difficulties in reporting for work and restricting the calling of government officers.

**6. Human Resource Management**  
**Audit Observation**

**Comments of the**  
**Accounting Officer**

**Recommendation**

The approved cadre was 1,423, the actual number of employees was 1,571, the number of vacant employees was 282 and the number of excess employees was 430. Although the approved number of posts in the Development Officer Service was 107, as the actual number of employees in that service was 537, there was an excess of 430 employees. Due to it was observed 98 vacancies in Public Management Service posts and 98 vacancies in Grama Niladhari posts in the number of vacant posts, it can adversely affect the efficiency and effectiveness of service period to the public.

The approval of the Cabinet of Ministers and the approval of the Public Service Commission have been received to appoint the Development Officers who were recruited under the employment programme of unemployed graduates and sent to government institutions for training and an excess of 430 Development Officers has arisen due to given opportunity to assume duties for all officers without considering any officer as excess officers according to the instructions of the Ministry of Public Administration, Provincial Councils and Local Government. Although the competitive examination for the recruitment of Grama Niladharis has been published in the gazette on 27.05.2021, the examinations had to be postponed due to the covid disaster. However, action have been made to render services to the public efficiently and effectively through the performing of duties or acting appointments related to vacancies.

If the existing staff is sufficient to provide continuous efficient service, the approved number of employees should be revised or the relevant vacancies should be filled.