

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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 14 May 2024. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 14 May 2024 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 2023, 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 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 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 not been implemented.

Reference to the paragraphs of the report related to the preceding year.	The unimplemented recommendation	Reference to the paragraphs of this report
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1.6. (a)	Income and expenditure should be posted to accounts.	1.6 (a)
1.6. (d)	Action should be taken to clear the unsettled advance balances	2.1

1.6 Comments on the Financial Statements

Accounting Deficiencies

(a) Recurrent Expenditure

Audit Observation

From the solar power system installed at the Hanguranketha Divisional Secretariat, 4,603 units of electricity were provided to the national grid during the year under review, while 8,443 units were consumed. In accounting for the expenditure on electricity, the number of units consumed was offset against the generated units, and bills valued at Rs. 196,119 were settled. As such, the methodology to account for the total income related to the 4,603 units of electricity and the total expenditure pertaining to the 8,443 units was not followed.

Comment of the Accounting Officer

Since only the difference after offsetting the number of consumed units against the generated units is accounted for, the relevant income and expenditure could not be separately disclosed in the financial statements.

Recommendation

Income and expenditure should be separately stated in the financial statements.

(b) Closing Stock

Audit Observation	Comment of the Accounting Officer	Recommendation
The total value of the consumables stock amounting to Rs. 14,464,074 at the District Secretariat and 05 Divisional Secretariats as of 31 December of the year under review had not been disclosed in the financial statements.	There is no necessity to account for the closing stock as per the format developed by the Department of State Accounts.	Assets should be accounted for.

2. Financial Review

The following observations are made.

2.1 The balance of the Imprest Account.

Audit Observation	Comment of the Accounting Officer	Recommendation
An Imprest balance of Rs.900,878 that continued to exist since the year 2013 and stated in the Statement of Imprest Account (ACA-3) of the financial statements prepared as of the end of the year under review had not been settled even by the end of the year under review.	This matter has been referred to the Attorney General's Department.	Action should be taken to settle the unsettled advance balance.

2.2 Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of Section 4.4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a sum of Rs. 334,470 due from two deceased officers had not been recovered over a period of 1 to 3 years.	The pension files of the two officers are being prepared.	The provisions of the Establishments Code should be adhered to.

2.3 Utilization of Provisions Granted by Other Ministries and Departments

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Even though a person who had been evacuated from his residence in the Halgolla Grama Niladharee Division of the Kothmale Divisional Secretariat Division due to risk was settled in a new house constructed by the Disaster Relief Service Unit at a cost of Rs.1,200,000, it was observed that the occupant was using both residences since the old house in the risk-prone area had not been demolished.</p>	<p>The beneficiary was informed to vacate the house that was recommended for eviction due to the risk.</p>	<p>When providing houses for families identified as living in risky areas, they should be permanently relocated from the hazardous location.</p>

2.4 Transactions of Fraudulent Nature

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) Although the maximum capacity of the fuel tank of a vehicle belonging to the Hanguranketha Divisional Secretariat was 80 liters, 7,958 liters of fuel had been obtained, exceeding the aforesaid capacity on 72 occasions. According to the physical inspection conducted on 14 November 2023, the available fuel volume in the tank of the vehicle was 10 liters, whereas according to the Daily Running Chart, the quantity of fuel remaining in the tank on that date was 298.54 liters. Accordingly, an irregularity amounting to Rs. 101,313 (based on the price of the last purchase of fuel) had been committed for 288.54 liters of fuel.</p>	<p>Necessary arrangements are being made to conduct a preliminary inquiry.</p>	<p>Proper monitoring and controlling system should be maintained.</p>

- (b) Although 31 officers of the Ambagamuwa Divisional Secretariat had not used the fingerprint scanners when performing holiday duties on Sundays from January of the year under review to January 2024, they had been paid Rs. 227,425 as holiday pay.
- Payments are made based on the attendance register only in case of malfunctions of the fingerprint scanners. Accordingly, when receiving holiday pay for the Sundays from January 2023 to January 2024, the payments were made based on the attendance register. The fingerprint machine was not purposely made inoperative other than the inability of receiving fingerprints from the scanner.
- When paying overtime allowance and holiday pay, the arrival and the departure of the officers should be confirmed.
- (c) The Samurdhi Bank in the Ambagamuwa Divisional Secretariat had credited a sum of Rs. 66,500 as elderly allowances to the personal accounts of seven deceased beneficiaries during the period from February to June of the year under review.
- The representatives nominated by the beneficiaries had obtained the money and arrangements are being made to recover these payments.
- In the case of the death of a beneficiary receiving the elderly allowance, the Grama Niladaree should inform the Divisional Secretary of the matter, and the payment should be halted accordingly.

2.5 Deposit Balances

Audit Observation

In terms of Financial Regulation 570 (a), the deposits on application for land should be dealt with as per the Financial Regulation 571 after 10 years from the date of deposit. Nevertheless, the deposits valued at Rs. 876,799 deposited on 07 occasions from 2011 to 2013 had not been settled even by 31 December of the year under review.

Comment of the Accounting Officer

Details have been requested from the relevant institutes and further action will be taken soon after the receipt of answers.

Recommendation

Action should be taken in accordance with Financial Regulations.

3. Operating Review

3.1 Abandonment of Project Without Completion

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Under the renovation of the Getathulawa government quarters belonging to the Hanguranketha Divisional Secretariat, a sum of Rs. 382,101 had been spent for the construction of an internal bathroom of the quarters. However, due to the failure to provide the water supply even by 31 December of the year under review, the bathroom remained idle without being able to use. Water and mud had accumulated in the bathroom over a long span of time.	Although requests were made to the National Water Supply and Drainage Board at the beginning of the year 2022 to obtain water supply, the connection has not been provided to date.	After the completion of the renovation and provision of the water connection, the bathroom should be utilized.
(b) After making the decision to evacuate 12 families from Samanalagama in Hatton, which belongs to the Ambagamuwa Divisional Secretariat and was identified as a high-risk landslide zone in 2017, provisions amounting to Rs. 6,300,000 were released to construct homes on government land for 6 of the families. However, despite the lapse of 6 years as of 31 December of the year under review, the constructions had been discontinued halfway without completion.	In consultation with the families proposed to be evacuated, arrangements are underway for their evacuation from the high-risk location and settlement in the new houses constructed.	Resettlement activities should be finalized by expeditiously completing the relevant project.
(c) Even though the Hanguranketha Divisional Secretariat had spent Rs. 940,500 on 31 August 2020 to improve the Dodamkumbura Disaster Operational Centre as a protective centre under the provisions of the Ministry of Disaster Management, the building remained idle and unused as of December 31 of the year under review.	Action will be taken to use the building after the repairs are completed by correcting defects.	Assets should be utilized effectively.

3.2 Delays in the Execution of Projects

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Under the programme to construct a house using the financial assistance given by the government on a land purchased by the beneficiary with an amount of four hundred thousand rupees provided by the government, the Disaster Relief Service Unit had planned to construct houses for 159 families identified as at-risk in 05 Divisional Secretariat Divisions and resettle them in these houses. However, no arrangements had been made to resettle 115 of these families. Similarly, under the program to construct houses on government-provided land using financial assistance from the government, the Disaster Relief Service Unit had planned to evacuate 970 families from their current residences and resettle them in protective locations. However, no action had been taken to resettle 798 of these families in such locations.	The relevant particulars have been submitted to the Director General of Disaster Management.	The evacuation of residents from risk areas and their resettlement process should be expedited.
(b) Although 4 families evacuated in 2019 due to high landslide risk in the Ambagamuwa Divisional Secretariat Division were provided Rs. 2,700,000 to purchase land and construct houses in the Kalugala Millagahamula area, the construction was still at the initial stage as of 31 December of the year under review, with progress as low as 30 percent.	Installments are released according to the progress of the constructions under the supervision of the Technical Officer.	The evacuation of residents from risk areas and their resettlement process should be expedited.

3.3 Projects Without Progress Despite the Release of Funds

Audit Observation	Comment of the Accounting Officer	Recommendation
Although a building and a cold storage facility were constructed at a cost of Rs. 6,900,000 in the Hanguranketha Divisional Secretariat Division in 2018 under the Grama Shakthi Programme using provisions from the Presidential Secretariat to store seed beans, it remained idle without being used for the intended purpose even by 31 December of the year under review.	There was no need for repurchasing seed beans according to the prevailing prices. However, if the price of seed beans becomes unstable in the future, action will be taken to purchase at least 10,000 kg of seed beans on that occasion.	Projects should be planned and implemented so as to achieve their objectives.

3.4 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
The lorry bowser worth Rs. 4,383,929 belonging to the Nuwara Eliya District Secretariat had remained idle and underutilized for about 2 years and 93 units of assets belonging to 4 Divisional Secretariats, whose value could not be identified, had remained idle or underutilized for periods ranging from 1 to 5 years.	Arrangements will be made to take appropriate measures in this regard.	Action should be taken to either repair and use the assets or dispose of them.

3.5 Management Weaknesses

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Even though three years have passed, the Nuwara Eliya District Secretariat had not prepared the Widows' and Orphans' Pension for a beneficiary who died on 30 May 2020 after retiring on 23 March 2001.	It was not possible to locate the files of the deceased person, and his spouse also passed away on 06 December 2023.	Action should be taken to pay the pension by preparing the files within the prescribed timeframe.

- (b) Even by 31 May 2024, no action had been taken to evict unauthorized occupants and recover the possession of the land located at Blakpool in accordance with the State Lands (Recovery Of Possession) Act No. 7 of 1979 as amended by the Act No.58 of 1981 and the Act No.29 of 1983, pursuant to the judgment delivered on 28 November 2006 relating to the Case No.76818 tried in the Nuwara Eliya Magistrate Court and the judgment delivered by the Nuwara Eliya High Court on 01 October 2010.
- Since provisions for the implementation of relevant court order have been granted by the Land Commissioner General's Department on 19 February 2024, further action will be taken accordingly.
- Action should be taken to recover the possession of the land by implementing the judgment of the court case.
- (c) A Development Officer at the Ambagamuwa Divisional Secretariat had not report for duty for 27 days without informing about leave. Despite repeated instances such as not reporting for duty on public days without notice, failing to submit work done records and future programme plans over an extended period, a salary amounting to Rs. 581,160 had been paid for the year under review without initiating disciplinary action through a formal disciplinary inquiry conducted by supervising officers, as of 31 December of the year under review.
- The delays in supervising the duties of this officer are acknowledged, and necessary arrangements will be made to prevent such lapses in the future.
- A proper supervision and strong internal control system should be maintained. Appropriate measures should be taken regarding failure to report to duty.
- (d) Without properly informing 881 elderly, disabled, and kidney disease allowance applicants on the waiting list of the Thalawakele and Nuwara Eliya Divisional Secretariats to come and receive their allowances, the officers had negligently and carelessly failed to disburse allowances totaling Rs. 8,810,000 to the beneficiaries for the months of July and August 2023.
- The shortage of officers has contributed to this situation.
- Allowances should be disbursed to the eligible beneficiaries, and after conducting inquiries, necessary actions should be taken against the officers for not paying the relevant allowances.

4. Human Resource Management

Audit Observation

When comparing the approved and actual cadre, although the approved number of positions for Technicians and Technical Assistants was 24 for the District Secretariat and 7 for the Divisional Secretariats, 17 of these positions were vacant. Furthermore, although the approved cadre for the position of Grama Niladhari was 491, there were 109 vacancies. Additionally, there were 2 excess positions for Development Coordinators as of 31 December of the year under review.

Comment of the Accounting Officer

The Ministry has been informed about this matter.

Recommendation

Action should be taken to fill vacancies.