

## **Head 259 - District Secretariat, Mathale - 2024**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head-259, District Secretariat, Mathale for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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, Mathale was issued to the Accounting officer on 27 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report of the District Secretariat was issued to the Accounting Officer on 21 May 2025 in terms of Section 11(2) of the National Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 to be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the District Secretariat, Mathale as at 31 December 2024 and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note. 1 related to the financial statements.

#### **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 Emphasis of Matter – Basis for preparing Financial Statements**

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the District Secretariat, Mathale, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the District Secretariat, Mathale, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

#### **1.4 Responsibility 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 the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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 annual and periodic financial statements to be prepared.

As per Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the District Secretariat exists 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.

#### **1.5 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.

## **1.6 Comments of the Financial Statements**

### **1.6.1 Accounting Deficiencies**

#### **(a) Property, Plant and Equipment**

	<b>Audit Observation</b>	<b>Comments of the Recommendation Accounting Officer</b>
(i)	Although, according to the Treasury printout Format SA-81, the total removal of buildings for the year under review amounted to Rs. 813,810,661 and the total acquisitions of land amounted to Rs. 2,484,885,000, these values had not been disclosed in the consolidated trial balance submitted to audit by the District Secretariat, and machinery and equipment amounting to Rs. 773,171,897 and work-in-progress amounting to Rs. 542,487,542 had been understated.	The differences between departmental books and Treasury books will be examined and corrected. The differences between departmental books and Treasury books should be examined and corrected properly.
(ii)	Although non-financial assets amounting to Rs. 63,507,202 had been purchased during the year under review as per programmes in the expenditure statement (ACA-2(i)), those purchases had not been recorded under purchases in the Treasury printout Format SA-82.	It will be examined and corrected. The differences between departmental books and Treasury books should be examined and corrected properly.
(iii)	The cost of Rs. 11,598,279 incurred for installing a solar power system at the District Secretariat had not been capitalized and included in the consolidated trial balance.	The amount of Rs. 11,598,279 incurred for the solar power system had been charged under Object 123-2-15-82-2506, and it was not capitalized as it falls under development assistance. Steps should be taken, after consulting the Treasury, to account for it under non-financial assets.

**(b) Failure to Maintain Books and Registers**

<b>Audit Observation</b>	<b>Comments of the Recommendation Accounting Officer</b>	
<p>In the statement on “write-offs from books” presented under Annexure (ii) of the financial statements submitted for the year under review, it was observed that in respect of vehicle accidents amounting to Rs. 276,950 that occurred in three Divisional Secretariats and recovered under Financial Regulation 109 during the year under review, a record of damages had not been maintained as required by the format specified in Financial Regulation 110.</p>	<p>It could not be updated due to an omission.</p>	<p>Action should be taken to maintain a record of damages up to date in accordance with Financial Regulation 110.</p>

**2. Report on Other Legal Requirements**

In accordance with Section 6(1)(d) of the National Audit Act, No. 19 of 2018, I state the following:

- (a) The financial statements are consistent with the previous year.
- (b) The recommendations I made regarding the financial statements for the previous year have been implemented.

**3. Financial Review**

**3.1 Imprest Management**

<b>Audit Observation</b>	<b>Comments of the Recommendation Accounting Officer</b>	
<p>(a) Although the unsettled sub-imprest balance as at 31 December of the year under review amounted to Rs. 9,129,896, the statement of imprest accounts for the year 2024, presented in Form ACA-3 of the financial statement, stated that there was no imprest balance as per the institution's books as at 31st December 2024.</p>	<p>Accordingly to the institution's books, the imprest balance as at 31 December 2024 should be Rs. 9,129,896.</p>	<p>Action should be taken to prepare the imprest account accurately.</p>

### 3.2 Incurring Liabilities and Commitments

	<b>Audit Observation</b>	<b>Comments of the Recommendation Accounting Officer</b>
(a)	According to the statement of liabilities submitted together with the financial statements as at 31 December of the year under review, and according to the Treasury printout format SA-92, a discrepancy of Rs. 1,009,850 in the balances was observed.	The SA-92 Treasury printout format includes only the liabilities entered into the CIGAS programme as at 31 January 2025, and liabilities reported after 31 January 2025 are not included in the Treasury printouts. Liabilities should be correctly identified and entered into the CIGAS programme without delay.

### 3.3 Non-compliance with Laws, Rules, and Regulations

	<b>Reference to Laws, Rules, and Regulations</b>	<b>Value (Rs.)</b>	<b>Non-compliance</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	Extraordinary Gazette No. 2216/34 dated 25 February 2021 issued by the Minister under the powers vested in the Minister in charge of the subject by Section 64(2)(e) of the Forest Conservation Ordinance No. 16 of 1907 (Chapter 451)	20,075,375	Forest produce royalties recoverable for the years 2023 and 2024 for quarry sites located on state lands in the Matale District had not been recovered.	The recovery of the relevant outstanding royalties is currently being carried out.	Action should be taken against the officers who failed to recover the royalties in due time, and forest produce royalties should be recovered in accordance with the Gazette notification.
(b)	Section 2 of the Registration of Persons Act No. 32 of 1968 as amended by Section 5 of the Registration of Persons Act No. 08 of 2016	-	As at 31 December 2024, a total of 1,139 persons over 15 years of age in 195 Grama Niladhari divisions across 09 Divisional Secretariat divisions in the Matale District did not possess National Identity Cards.	Awareness activities will be carried out through the Grama Niladhari divisions.	Action should be taken to issue identity cards using an expedited procedure.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 104(1) (a)	-	Although a vehicle belonging to the Yatawatta Divisional Secretariat had met with an accident on 10 July 2024, the appointment of the Board of Inquiry in terms of the Financial Regulations was delayed until 16 October 2024.	The delay occurred due to the election period. However, such omissions will be avoided in the future.
(ii) Financial Regulation 104(4)	-	Although, in terms of the Financial Regulations, a full report should be submitted within three months from the date on which the loss occurred, more than nine months had elapsed by the audit date of 31 January 2025 since the cab vehicle of the Rattota Divisional Secretariat met with an accident on 11 April 2024; however, no action had been taken to conduct an inquiry and submit a full report regarding the loss and damage.	A copy of the court order is required to submit the report, and it has not been received yet. The report will be provided promptly once such order is received.

### 3.4 Irregular Transactions

<b>Audit Observation</b>	<b>Comments of the Recommendation Accounting Officer</b>	
(a) According to Financial Regulation 137(5), payments relating to supplies should be approved only after verifying and properly receiving them. However, the Wilgamuwa Divisional Secretariat had paid Rs. 365,421 on 27 December 2024 to a private institution for meeting-hall chairs, but as at the audit date of 03 March 2025, those items had not yet been obtained by the Wilgamuwa Divisional Secretariat from the supplier.	The relevant chairs have been received on 24.03.2025, and the payment cheque has been handed over to the institution on 26 March 2025.	Action should be taken against the officers who acted irregularly, and steps should be taken to obtain the goods without delay.

### 3.5 Deposit Balances

<b>Audit Observation</b>	<b>Comments of the Recommendation Accounting Officer</b>	
(b) Since the relevant investigation had not been promptly completed concerning the irregularity in the fuel consumption of a cab belonging to the Matale Divisional Secretariat, the sum of Rs. 28,290 recovered from the driver on 29 December 2022 had remained in the General Deposit Account for more than a period of two years.	As the relevant investigation report has now been received, action will be taken to credit this balance to Government revenue.	The relevant investigation should be completed without delay and the balance of the General Deposit Account should be settled accordingly.

## 4. Operational Review

### 4.1 Failure to Achieve Expected Level of Output

<b>Audit Observation</b>	<b>Comments of the Recommendation Accounting Officer</b>	
(a) According to Circular No. 2020/06 dated 20 February 2020 regarding the implementation of the new amendments for concessional loans	Out of 08 loan beneficiaries, repayment has been completed by one borrower, and the others have been duly	Action should be taken against the officers who failed to conduct proper supervision and recover

under the Livelihood Revolving Credit Program for the Economic Empowerment Projects of the Department of Sri Lanka Samurdhi Development, a total outstanding loan amount of Rs. 384,389 from 27 loan beneficiaries of 06 Samurdhi community banks in Rattota and Wilgamuwa remained unrecovered from month 01 to month 05.

the loans in a timely manner, and a systematic procedure should be established for loan recovery.

#### 4.2 Failure to Achieve Expected Level of Outcome

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	Under the Alternative Income Generation Programme for women intending to go abroad, implemented based on the provisions of the Ministry of Women's and Children's Affairs and Social Empowerment, equipment valued at Rs. 25,000 was provided to a beneficiary in the batik industry. However, the criteria used to select the beneficiary for this project had not been verified.	The beneficiary had been expecting to go abroad.	When selecting beneficiaries for projects, the selection criteria should be clearly defined and beneficiaries should be chosen transparently in accordance with those criteria.

#### 4.3 Abandonment of Project Without Completion

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	The Bathgampola Rice Processing Project, proposed under the 2007 Jathika Saviya Development Program and approved on 17 September 2007, had remained inactive without achieving its objectives for more than 18 years as of the audit date, 03 March 2025.	A letter has been sent to the Land Commissioner's Office requesting acquisition under the long-term lease basis, and the General Manager of the Laggala Multi-Service Cooperative Society has been convened for further discussions.	A proper investigation should be conducted, action should be taken against the officers who failed to operationalize the project, and an urgent plan should be implemented to bring the project to a functional level.

#### 4.4 Procurement

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<b>(a)</b>	According to Section 3.4.3(c) of the Procurement Guidelines, although registered suppliers were sufficiently available, the Matale District Secretariat had spent Rs. 9,149,175 for purchasing items for the horticulture project under the World Food Program and Rs. 14,158,466 for the purchase of equipment for the Matale Bernard Aluvihara Bodybuilding Center without obtaining quotations from them or providing explanations thereon. The purchased bodybuilding equipment did not comply with the technical specifications.	That the procurement procedures have been carried out in accordance with the 2006 Supplement 40 of the Procurement Guidelines and 3.4 of the 2006 Supplement 40.	A proper investigation should be conducted, and appropriate action should be taken against parties who acted outside the procurement guidelines.

#### 4.5 Asset Management

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<b>(a)</b>	Five vehicles belonging to the District Secretariat had remained idle for more than 02 years.	Actions will be taken to obtain the necessary approval for disposal.	The efficiency of the vehicles should be evaluated, and they should either be repaired and put into use or properly disposed of.
<b>(b)</b>	A building belonging to the Ambangaga Korale Divisional Secretariat remained underutilized, while rent had not been collected from a leased building belonging to the Galewela Divisional Secretariat since 2015.	The wattle and daub walls of the building are frequently damaged by termites and items that are not damaged by animals are stored in a usable part of the building.	Steps should be taken to fully utilize the underutilized asset and to promptly collect rental income.

#### 4.6 Depositing Securities by Public Officers

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	According to Financial Regulation 881(1) and Circular No. 07/2019 dated 23 March – 09 April 2019 issued by the Secretary of the Ministry of Internal and Home Affairs and Provincial Councils regarding the collection of security deposits from government officers, securities amounts totaling Rs. 11,500 from four officers serving at the Rattota Divisional Secretariat had not been obtained.	That steps will be taken to open new accounts and deposit the security deposit in the passbooks by bringing them to the office.	Steps should be taken to deposit the securities of government officials who are required to deposit securities in accordance with financial regulations and circulars.

#### 4.7 Losses and Damages

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	Interest of Rs. 39,163,641 had been paid for 40 plots of land in the Matale and Yatawatta Divisional Secretariat areas acquired for road development due to delay in payment of compensation, by publishing Interim Order 38 (a) under Paragraph 4 of Section 361 of the Land Acquisition Ordinance, 1987.	Interest has been paid for the time elapsed since the date of issuance of the Order under Interim Order 38(a) of the Land Acquisition Act to complete the work to be done.	A proper procedure and plan should be established and implemented to promptly complete the land acquisition process.

#### 4.8 Uneconomic Transactions

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	According to Paragraph 2.3.2 of Circular No. DFD/2024-1 dated 04 April 2024 of the Secretary to the Ministry of Finance, Economic Stabilization and National Policies, without directly contacting the paddy mill owners	It was stated that only a very small quantity of paddy could be procured within the District, and since this programme had to be implemented throughout the island, all Districts had	A formal investigation should be conducted, and if any financial misappropriation has occurred, action should be taken against the responsible parties and to

for the agreed paddy purchases, a sum of Rs.281,901,227 had been paid by the District Secretariat to third parties for the purchase of paddy, Rs.6,623,772 as transportation charges, totalling Rs.288,524,999, for the purpose of purchasing paddy for which agreements had not been entered into prior to the supply of goods, and paddy had been purchased through third parties.

agreed to supply paddy to other Districts after obtaining the required paddy for their own Districts. It was further stated that no written agreement had been entered into with the third party who supplied the paddy at that time, and the agreement had been signed later.

recover the loss caused to the Government.

(b) For the purchase of 503,260 kilograms of paddy, bills amounting to Rs.94,581,030 and Rs.2,435,981 for transportation charges had been submitted. However, according to confirmations given by the Divisional Secretary, the Grama Niladhari, and the Secretary of the Akkarepattuwa Paddy Mill Owners' Association, the relevant paddy mill was not located at the stated address. Therefore, it could not be satisfied during the audit on the transparency of payments. Further, although payments amounting to Rs.21,763,860 for the supply of 117,010 kilograms of paddy from a paddy mill in Tissamaharama and Rs.521,973 as transportation expenses had been made, the respective mill owner stated that he had supplied only about 30,000 kilograms of paddy and that he had personally borne a transportation cost of Rs.120,000 as he himself had transported the paddy. Accordingly, an erroneous transportation cost of Rs.521,973 had been incurred by the District Secretariat.

It was stated that payments had been made since proper invoices had been submitted and the receipt of the respective quantities of paddy had been confirmed by the relevant Divisional Secretariats.

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(c) According to Financial Regulation 128(1)(I), it is the responsibility of the District Secretary, as the Accounting Officer, to ensure that the institution is managed with due regard to the expected economy, efficiency, propriety, and honesty in carrying out government activities, and in particular, to ensure that the maximum value is obtained for the expenditure incurred. However, an opportunity had been created for an external party to earn an excessive profit of Rs.15,076,800, amounting to approximately Rs.10 per kilogram of paddy.

During this period the Government's declared controlled price for paddy was higher than usual, making it difficult to purchase paddy at the Government-approved price as required by the Circular, and that as sufficient quantities were not available in nearby areas, paddy had to be purchased from the Ampara and Akkaraipattu areas according to the stipulated standard.

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#### 4.8 Management Weaknesses

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	Although Paragraph 07 of the Circular No. HAF-3-ADMIN-02-002 dated 05 July 2013, issued by the Secretary to the Ministry of Public Administration and Home Affairs, states that action to evict unauthorized occupants from state lands should be taken by the Divisional Secretary under the State Lands (Recovery of Possession) Act, it was reported in the Divisional Secretary's Divisions of Galewela, Wilgamuwa, Rattota, and Ambanganga Korale that no action had been taken accordingly regarding 13 unauthorized occupants residing on state lands.	Action will be taken to clearly identify the reserved area, evict the unauthorized occupants, conduct land kachcheri proceedings expeditiously, and take legal action.	Action should be taken against the officers who failed to act according to the provisions of the Circular on unauthorized occupants of state lands, and steps should be taken to act promptly in accordance with the provisions of the Act.
(b)	An amount of Rs. 4,140,182 that had been overpaid to 17 pension beneficiaries in the Divisional Secretary's Divisions of Wilgamuwa, Matale, and Rattota	Action will be taken to recover the pensions overpaid due to various reasons.	A proper examination should be conducted and, if officers are responsible for making overpayments,

	further remained recoverable at the end of the year under review.	appropriate action should be taken against them, and the overpaid pension amounts should be recovered promptly in accordance with Circular provisions.	
(c)	The outstanding loan balance of Rs. 125,322 due from an officer who was retired on compulsory basis in 2023 while serving in the Wilgamuwa Divisional Secretariat had not been recovered. Further, a loan balance of Rs. 708,873 recoverable from officers who had transferred to other Ministries/Departments, and a loan balance of Rs. 39,593 under recoverable loan balance, had not been settled despite a period of 1–3 years having elapsed.	A disciplinary inquiry is being conducted in respect of this officer, and therefore, pension payments have been withheld, and further action will be taken based on the decision made upon completion of the disciplinary inquiry.	The outstanding interest balance recoverable from the retired officer should be recovered at the time of paying pension gratuity, and action should be taken to recover the remaining outstanding loan balances without delay.

## 5. Good Governance

### 5.1 Rendering Services to the Public

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	Despite several public protests against a rock-blasting/ quarrying industry located within the jurisdiction of the Wilgamuwa Divisional Secretariat, the Divisional Secretary had issued certificates to two quarry industrialists, using Format 1“A” of Circular No. 01/2024 dated 18 December 2023 for the purpose of issuing explosives permits required for blasting/quarrying activities issued by the Secretary to the Ministry of Defence, certifying that the residents living in the area had no objections regarding the rock-blasting activities.	Recommendations have been provided through the relevant formats in accordance with the decisions taken at the joint meetings held with all relevant institutions, permit holders, and protesting parties, and as decided at the meetings of the Coordination Committee.	Following a formal investigation, appropriate action should be taken against the responsible parties if the forms have been completed based on inaccurate information.

(b) In terms of Paragraph 4(iv) of the Circular No. 01/2020 dated 15 May 2020 issued by the Secretary to the Ministry of Defence, compensation amounting to Rs. 2,768,760 payable to 208 verified beneficiaries in 07 Divisional Secretary's Divisions for property damages in the year 2024 had not been paid.

There are delays in receiving the provisions.

Necessary arrangements should be made to obtain provisions from the Ministry and expedite the payment of compensation for property damages in accordance with the Circular.

## 6. Human Resource Management

	<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	A Translator (Sinhala–English) had been employed and paid a salary at the Naula Divisional Secretariat despite such a post not having been approved for the Divisional Secretariat.	Since an officer has been assigned by the Ministry, the post is shown as an additional position in the cadre report.	Having conducted a staff review, necessary steps should be taken to obtain approval for the required posts or to assign the excess officers to appropriate offices.
(b)	According to Paragraph 2.2.2 of the Annual Transfer Policy for officers of combined services stated in the Combined Services Circular No. 01/2021 dated 06 August 2021, officers who have completed more than 05 years of service at the same service station should be given transfers. However, 66 officers serving in the Divisional Secretariats of Rattota, Ambanganga Korale, and Wilgamuwa had been serving at the same service station for periods between 05 and 12 years without being transferred.	Annual and non-annual transfer applications have been submitted, and it would be appropriate to establish a proper procedure for transfers relating to difficult areas such as the Wilgamuwa Divisional Secretariat.	Action should be taken to carry out transfers in accordance with the provisions of the Circular.