

Head 258 - District Secretariat, Kandy - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head-258, District Secretariat, Kandy 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, Kandy was issued to the Accounting officer on 29 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 26 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, Kandy 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, Kandy, 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, Kandy, 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 Sub-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

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) According to the information sent by the District Secretary to the Comptroller General in the year under review, although the value of the assets purchased amounted to Rs. 10,620,647, the value had been shown as Rs. 10,851,297 in the statement of non-financial assets (as per Form ACA 6) of the financial statements, there was a difference of Rs. 230,650.	When reporting annual purchases to the Comptroller General, the sum of Rs. 230,650 could not be included in that report due to an omission.	Action should be taken promptly to make relevant corrections.
(ii) In the Statement of Non-Financial Assets (Form ACA-06) in the financial statements, the total building value of Rs. 2,316,260,546 and the total land value of Rs. 3,958,987,970 included the value of three buildings amounting to Rs. 4,950,000 and a land valued at Rs. 5,000,000, which do not belong to the Delthota Divisional Secretariat.	A proposal to acquire the land on which the Bopitiya Nilasevana Office is located has been prepared and submitted to the Ministry of Public Administration and Home Affairs. The Wadiyagoda multipurpose building was included in the financial statements as it is a project implemented by the Delthota Divisional Secretariat under government provisions. Since the land on which the building	Only assets with ownership should be included in the accounts and necessary corrections should be made accordingly. Action should be taken to obtain ownership promptly and include such assets in the financial statements.

stands belongs to the Pathahewaheta Pradeshiya Sabha, it has been transferred to the Pathahewaheta Pradeshiya Sabha through a deed of transfer. The Galaha Official Quarters Office has been referred to NBRO for obtaining the necessary report to prepare the acquisition proposal.

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| (iii) | Without conducting an annual physical verification of assets, the land and building value amounting to Rs. 6,676,066,957 had been shown in the Form ACA 6 of the financial statements. | As the land and buildings have not been recorded in the inventory ledger, physical verification of land and buildings has not been carried out as required by Financial Regulation 715. There is also some difficulty in conducting an accurate annual verification of land and buildings. A special inspection is scheduled to be conducted in the year 2025. | Accurate values should be included in the financial statements by conducting a physical verification of assets . |
| (iv) | Although the value of passenger transport motor vehicles as at 31 December 2024 was shown as Rs. 216,327,625 in the statement of non-financial assets, the value according to the information on registered vehicles submitted by the District Secretariat amounted to Rs. 248,950,000, resulting in a difference of Rs. 32,622,375. | Due to an omission, the CIGAS system could not be updated based on the new valuations. | Steps should be taken to prepare financial statements correctly by including accurate values. |

2. Report on Other Legal Requirements

In accordance with Sub-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 Utilization of Provisions Made by Other Ministries and Departments

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Under the provisions of the Ministry of Disaster Management, the Bogambara Canal Development Project valued at Rs. 31.8 million had been assigned to the Kandy Municipal Council, and the following observations are made in this regard.		
(i) Although a Memorandum of Understanding had been reached to complete the project within 5½ months up to 31 December 2023, the project had not been fully completed even as at the date of audit, 17 March 2025. Although the total amount payable to the Municipal Council for the implementation of this project on direct labour basis was Rs. 23,343,746, a sum of Rs. 4,750,123 had been paid in excess of that amount.	Not replied.	A formal examination should be carried out and action should be taken to recover the excess payments and to expedite the completion of the project.
(ii) A sum of Rs. 2.02 million had been paid for constructions with uneven surfaces in many areas of the concrete side walls, for using less than the specified width of 300 mm, and for constructions with honeycomb defects without a smooth finish; and a further Rs. 22.2 million had been paid for concreting carried out by placing reinforcement bars improperly.	Not replied.	A formal technical inspection should be conducted and the constructions should be carried out according to approved specifications and standards by the contractor. Any loss caused to the Government should be recovered.

(iii)	Although constructions were planned to be carried out using 12 mm iron bars according to the first and second designs, the use of 16 mm and 10 mm iron bars, and the use of iron bars available at the Municipal Council without submitting proper design plans, had resulted in the quantity of iron used exceeding the original estimate by 16,700 kg.	Not replied.	- Do -
(iv)	Although the concrete walls of the canal were required to be constructed with a height of 1200 mm according to the original drawings, the Kandy Municipal Council had increased the heights to 3000 mm and 2100 mm on one side of the canal with the expectation of using it as a vehicle parking space. Consequently, payments had been made for soil filling as well, and the funds of the Disaster Management Unit had been utilized contrary to the intended purpose of the project.	Not replied.	- Do -
(b)	Of the total revolving loans amounting to Rs. 67,504,990 granted during the year 2024 by the Samurdhi Division of 13 Divisional Secretariats, a sum of Rs. 5,448,474 remained recoverable as at 31 December 2024, while the amount of the bad debts that remained irrecoverable was Rs.1,650,507.	Due to the economic difficulties faced by beneficiaries as a result of the COVID-19 pandemic, loan instalments could not be recovered properly, and steps are being taken to recover the loans.	A formal investigation should be conducted, and action should be taken against the officers who failed to recover the loans on time. The outstanding amounts should be collected without delay.

3.2 Non-Compliance with Laws, Rules, and Regulations

	Reference to Laws, Rules, and Regulations	Observations Value Rs.	Non-compliance	Comment of the Accounting Officer	Recommendation
(a)	Section 23(iv) of the Public	4,288,650	The Divisional	Thumpane Secretariat	If subcontracts are awarded, action will be taken against the

	Finance Circular No. 01/2021 dated 29 September 2021		had awarded 05 projects implemented in 2024 to an external party on a subcontract basis.	be taken to black list those societies.	parties who acted contrary to the Public Finance Circular.
(b)	Section 7 of the Assets Management Circular No. 01/2017 dated 26 June 2017	3,635,958	Although information on the assets purchased and disposals during the year under review should have been submitted to the Office of the Comptroller General, the Kandy District Secretariat had not reported the assets disposed of during the year to the Office of the Comptroller General.	Information on the assets purchased during the year has been reported to the Comptroller General, but information on disposals has not been reported.	Action should be taken in accordance with the circular provisions to report to the Comptroller General.
(c)	Assets Management Circular No. 05/2021 dated 09 December 2021	6,895,401, 582	Although non-financial assets should be revalued once every 05 years, the lands, buildings and vehicles existing at the end of the year under review had not been revalued for more than 12 years.	Due to delays occurring when obtaining valuations from the Department of Valuation, a committee comprising officers has revalued and accounted for the lands, buildings and vehicles in accordance with the instructions of the Audit and Management Committee and the Department of State Accounts. Future valuations will be carried out through the Department of Valuation.	Action should be taken in accordance with circular procedures to ensure that assets are periodically assessed, and report them to the Comptroller General.

3.3 Non-compliance with tax requirements

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	According to Section 2 of the Guidelines No. SCE/2022/E/04 dated 22 December 2022 on Advance Personal Income Tax issued by the Commissioner General of Inland Revenue, the total amount of Rs. 1,388,000 paid to four officers in three Divisional Secretariats, comprising Samurdhi Duty Allowance, Provincial Council Duty Allowance, Development Project Allowance, and Driver Allowance, had not been considered when calculating the Advance Personal Income Tax.	It is noted that, due to delays in receiving provisions and imprests, the allowances could not be paid within the scheduled month, and therefore these allowances have been taken into account when calculating the Advance Personal Income Tax on the employment income of the month in which they were actually paid.	Action should be taken to levy taxes in accordance with circulars and regulations.

3.4 Irregular Transactions

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	Under the Kandurata Decade Tenfold Special Integration Rural Development Programme, 174 air rifles and pellets valued at Rs. 9,970,200 had been purchased for the Ududumbara Divisional Secretariat Division. The order for the air rifles and pellets had been placed on 11 October 2024, and 89 air rifles had been received on 02 December 2024 while 85 had been received on 16 January 2025. However, before the institution received the air rifles, on 30 October 2024, three officers had signed as members of the Technical Evaluation Committee, certifying that all 174 air rifles conformed to the relevant specifications, and the total sum of Rs. 9,970,200 had been paid to the supplier on 31 December 2024, despite the air rifles not having been fully delivered.	As it had been notified that all payments related to the 2024 Kandurata Decade Development Programme should be completed by 30 October 2024, discussions were held with the institution over the telephone, and the cheque was written based on the assurance that the air rifles would be delivered within the first two weeks of January, and that the cheque was released after receiving all 174 air rifles.	Formal action should be taken against all parties responsible for making payments in an irregular manner.

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| (b) | Despite the non-receipt of reports from 46 Grama Niladhari Divisions under the Ududumbara Divisional Secretariat for the follow-up activities on Aswesuma beneficiaries, cheques amounting to Rs. 392,000 for the relevant allowances had been drawn and retained. | Although the Grama Niladharis of the 46 Grama Niladhari divisions agreed to participate in this programme, they subsequently refrained from performing the relevant duties and accepting the payments due to supporting a trade union action. They took actions to retrieve the reports previously submitted by them, and accordingly, the funds allocated for this task were credited back to government revenue. | Cheques should be drawn only for payments that are complete and accurate in every respect, and formal action should be taken against officers who fail to do so. |
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3.5 Maintaining Bank Accounts

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	According to the bank reconciliation statement for December of the year under review, unidentified payments amounting in total to Rs. 164,813 relating to 3 Divisional Secretariats, and unidentified receipts amounting in total to Rs. 3,486,454 relating to 4 Divisional Secretariats, had not been identified and accounted for	All these unidentified receipts and payments had occurred on 31.12.2024, and because these receipts and payments had been directly credited to the bank account, they had been erroneously accounted under Provincial Council accounts.	Unidentified receipts and payments should be identified and accounted for.
(b)	A total of 196 cheques amounting to Rs. 19,693,437, written for payments to various individuals and institutions by 6 Divisional Secretariats as at 31 December 2024, had been retained without issuance.	Although all projects related to these unrepresented cheques had not been completed by the scheduled date, they were in the final stage. Therefore, the cheques were printed but withheld without issuance.	Cheques should be written for the payments only for activities that are fully and accurately completed in every respect, and formal action should be taken against the officers who prepared vouchers and wrote cheques for incomplete work.

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| (c) | A cheque valued at Rs. 4,776,216, written on 31 December 2024 for rectifying the alteration (leaning) of the retaining wall construction of the Wallala A. Ratnayake School without preparing and approving a new estimate, had been withheld for more than 3 months up to 08 April 2025, the date of audit. | The vouchers related to this construction were submitted on 31 December 2024, and the engineer's recommendation had also been received; therefore, the cheque was written. Since defects of the project were later reported, the cheque was not issued to the payee. | - Do - |
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4. Operational Review

4.1 Planning

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Contrary to the Circular No. PS/FID/ID/Circulars/1/2024 dated 24 January 2024 of the Presidential Secretary, 19 industrial construction and material assistance projects valued at Rs. 4,800,000 in the Poojapitiya Divisional Secretariat had been implemented during the year under review under the MP Special Permit Scheme without obtaining proposals from Rural Committees.	Instructions had not been given to obtain approval from the Rural Committee for these projects implemented under the Decentralized Special Permit Scheme, and all projects were implemented after assessing their feasibility.	After conducting a formal investigation, action should be taken against the officials who implement projects without identifying the projects based on the recommendations of the rural committees.

4.2 Failure to Achieve the Expected Level of Output

Audit Observation	Comment of the Accounting Officer	Recommendation
(e) Although agreements had been signed with four low-income families in the Ududumbara Divisional Secretariat Division to provide a total housing grant of Rs. 2,000,000 at Rs. 500,000 per family under the project for providing housing facilities to low-income families implemented under the Kandurata Decade 2024-2033 Tenfold Special Integrated	Due to the houses being only partially completed, only Rs. 1,059,447 had been paid. After the audit observation, the beneficiaries were summoned and instructed to make the houses suitable for occupation, and at present the beneficiaries are residing in these houses.	A work plan should be prepared and implemented promptly to achieve the expected level of output.

Rural Development Programme, only Rs. 1,059,447 had been paid to the four beneficiaries, and therefore, the intended objective of the project had not been achieved.

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| <p>(b) A new building had been constructed at a cost of Rs. 103,212,106 for the Ududumbara Divisional Secretariat between 2018 and December 2021. Due to the contractor failing to construct the building according to the agreed specifications, major construction defects, devoid of the prescribed standard in building the concrete roof causing water leakage into the building, etc., a further sum of Rs. 2,750,692 had to be spent during the year under review to rectify the defects.</p> | <p>The new building was opened on January 26, 2022, and since the defects had existed from that date, a sum of Rs. 2,750,692 had been allocated in 2024 to carry out the necessary repairs to make the building suitable for official use.</p> | <p>Formal action should be taken against the officers who neglected to take necessary measures to have the defects rectified by the contractor in 2022.</p> |
| <p>(c) Without properly compacting the soil, sum of Rs. 165,596 had been paid for 61.27 cubic meters of soil filling for 3 side-walls construction works implemented by the Thumpane Divisional Secretariat.</p> | <p>Construction was carried out according to the estimate prepared based on the available allocations. Heavy rainfall had washed away the soil on both sides. In the future, special attention will be given to soil compaction, and the locations highlighted in the audit have now been filled.</p> | <p>An arrangement should be made to fill the soil properly and complete those three projects effectively.</p> |
| <p>(d) Due to a weakness in engineering design, the retaining wall constructed at a cost of Rs. 29,586,375 at Wallala A. Ratnayake School had tilted within two months of construction. No action had been taken to restore it as instructed by structural and geotechnical experts as of 05 April 2025, and the stability of the wall remained uncertain.</p> | <p>About three months after construction, severe storms and rainfall had affected the land. The retaining wall had not been designed for such conditions. Measures have been taken to drain the water and prevent further movement by reinforcing the wall with steel wires, and the situation has been fully controlled.</p> | <p>Immediate action should be taken, based on expert technical guidance, to restore the retaining wall to ensure its stability.</p> |

- (e) A contract valued at Rs. 23,724,000 had been entered into with a contractor for the development of the road from Ketawala Junction to Nahiniwela, and a sum of Rs. 20,689,384 had been paid during the year under review for this purpose. The following observations were made in this regard.
- (i) Although the agreement had been reached to construct a 1,500-meter-long, 5.5-meter-wide road with 0.5-meter shoulders on both sides, only about 850 meters had been constructed, achieving only 43 per cent of the expected amount. Bills had been prepared and payments made for 920 meters. For the unconstructed 70 meters, Rs. 1,540,760 had been overpaid under work items 4.3 and 4.4 for laying asphalt. According to confirmations received from the asphalt supplier, only 844 metric tons of asphalt had been issued to the contractor, but payment had been made for 900 tons, resulting in an overpayment of Rs. 1,260,000 for 56 tons.
- Although a small quantity of ABC was proposed in the estimate prepared for the allocation of provisions for carpeting the uniform road with a 40mm thickness, it was observed during the practical inspection that there were a large number of deep patholes on both sides of the damaged road. Since revising the estimate and preparing a new one for the entire length of the road would not be cost-effective within the allocated provisions. Since approximately 1,500 metric tons of asphalt were required for the entire cross-section of the road, the estimate was revised, and about 920 meters the maximum length that could be effectively completed while maintaining the required height, shape, and standard was developed.
- A formal investigation should be conducted, and accordingly, action taken against the officers responsible for irregular payments, and to recover the excess payments
- (ii) Although the estimate included 100 cubic meters of ABC for the entire road, Rs. 1,885,000 had been paid for 290 cubic meters of ABC even though only 43 per cent of the road was yet to be completed.
- Due to defects in the RDA estimate used for allocation and the lack of funds to rectify them, additional ABC was required to widen the road and fill the patholes.
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| <p>(iii) Although agreements had been entered into for Rs. 877,500 to construct a 135-meter drain under Work Item No. 05 and for Rs. 90,000 for 30 cubic meters of concrete for shoulder work on both sides of the road under Work Item No. 13, these work items had not been completed.</p> | <p>It was revealed that many items included in the estimate prepared for the allocation of provisions were not practically applicable to the road, making it difficult to carry out the specified works. Therefore, ABC was filled and leveled on both sides of the road to obtain the maximum possible width. As the construction of the drain specified in the estimate became impractical due to the rainfall received during the contract period, the existing drainage system was cleaned and arranged to allow the flow of water.</p> | <p>Action should be taken against the officers who prepared the estimate without proper study.</p> |
| <p>(iv) Deficiencies such as failure to obtain formal approval for not constructing the road shoulders and drains and for constructing only a portion of the contracted road, failure to provide the asphalt mix design to the contractor in accordance with the standard specifications applicable to road construction, failure to measure the asphalt-laid road surface at every 5-meter interval, and failure to check the temperature of the asphalt brought to the site before laying it as required by the standard specifications, were observed in the project.</p> | <p>Approval had been obtained for practical changes made during the road construction. Equipment and staff shortages in the engineering section affected the preparation of the mix design. Although temperature was checked before laying asphalt, the records could not be maintained.</p> | <p>Formal action should be taken against the responsible parties for failing to prepare and obtain approval for a revised estimate when the specifications in the original estimate were changed, for failing to prepare and provide the asphalt mix design to the contractor, and for failing to check the temperature.</p> |
| <p>(f) A contract valued at Rs. 17,479,435 had been entered into with a contractor for the development of Thalapiyannawa Good Hope Road by laying asphalt, and a sum of Rs. 12,556,150 had been paid for that purpose during the year under review. The following observations are made in this regard.</p> | | |

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| (i) | <p>Although the contract had been entered into for constructing a road surface 1,600 meters in length and 3.25 meters in width, with road shoulders of about 0.3 meters in width on both sides, only about 480 meters representing approximately 70 per cent of the road had not been constructed. According to Item No. 4.1 of the estimate, a sum of Rs. 630,000 had been contracted for constructing road shoulders 0.3 meters wide, and under Items 06 and 07, Rs. 1,462,384 had been contracted for constructing drains and side walls; however, these works had not been carried out.</p> | <p>When the estimates for the construction of the road were prepared, the road had not been subject to landslides, and that the middle part of the road had been subjected to landslides due to the heavy rains that followed, and since it was impossible to travel on the road, the road was prepared from one side to the landslide site, and that the road could not be completely constructed on the scheduled date. There was a difficulty in practically fulfilling the work items in the estimate used for allocating funds, and that ABC was filled on both sides to obtain maximum space. As there was not enough space to construct the drain specified in the estimate, the existing drainage system was cleaned and arranged to allow the flow of water.</p> | <p>Formal action should be taken against the officers who failed to prepare revised estimates.</p> |
| (ii) | <p>Although estimate had been prepared and contract had been reached for applying 100 cubic meters of ABC for the entire road surface, a payment of Rs. 2,700,000 had been made for 375 cubic meters to construct only 30 percent of the road, thus exceeding the contracted ABC quantity by 1,150 percent.</p> | <p>Additional ABC was required to fill the potholes and widen the road.</p> | <p>- Do -</p> |
| (iii) | <p>Deficiencies such as failure to obtain formal approval for not constructing the road shoulders and drains and for constructing only a portion of the contracted road, failure to provide the asphalt mix design to the contractor in accordance with the standard specifications applicable to road construction, failure to measure the asphalt-laid road surface at every 5-meter interval, and failure to check</p> | <p>Approval had been obtained for practical changes made during the road construction. Equipment and staff shortages in the engineering section affected the preparation of the mix design. Although temperature was checked before laying asphalt, the records could not be maintained.</p> | <p>Formal action should be taken against the responsible parties for failing to prepare and obtain approval for a revised estimate when the specifications in the original estimate were changed, for</p> |

the temperature of the asphalt brought to the site before laying it as required by the standard specifications, were observed in the project.

failing to prepare and provide the asphalt mix design to the contractor, and for failing to check the temperature.

4.3 Failure to Achieve the Expected Level of Outcome

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Under the 2024–2033 Decade Special Integrated Rural Development Program, a total provision of Rs. 4,500,000 had been spent for the following: Rs. 500,000 and Rs. 1,000,000, respectively, for widening and developing the drain system of the Kirimatiya Middle Road and its by-roads of the jurisdiction of the Gagawatta Korale Divisional Secretariat; and Rs. 3,000,000 for removing the culvert of the canal route on the Kirimatiya Middle Road and constructing a small bridge at that location. The following observations were made in this regard.		
(i) Although Rs. 1,500,000 had been spent on the construction of the drainage system on Kirimetiya Middle Road and its by-road, water had overflowed onto the road as an “L”-shaped drain had been constructed instead of the required “U”-shaped drain.	Although this canal should be built in a "U" shape, since there is a road to enter the village through the canal, when the canal embankment is raised towards that road, the vehicles' bodies will touch when siding the vehicles at the curvy place, and to prevent the soil on the other side of the canal from washing away and entering the canal, estimates have been prepared by raising two supporting embankments. Following this construction, during	Action should be taken against the officers who failed to prepare proper estimates carry out a preliminary study.

the rainy season, water flow toward the road is prevented, ensuring that water flows properly through the canal, and obstruction of the canal due to sand accumulation is also avoided.

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| (ii) | A culvert constructed in 2010 in very good condition on the Kirimetiya Middle Road had been demolished and removed unnecessarily at a cost of Rs. 1,000,000. | Although a culvert was constructed in 2010 on the road to Kirimetiya village in Gurudeniya West, after a housing complex was built in the Delumwatta land, large quantities of water flowing from that area during the rainy season made the old culvert insufficient, resulting in water overflow. | Action should be taken against the responsible parties following a formal inspection. |
| (b) | Under the 02 Lakh Families Empowerment Program, benefits had been provided to 4,741 families across 16 Divisional Secretariat offices from 2015 to 2021. However, as of 31 December 2024, the number of inactive beneficiaries under this program stood at 542, representing 11 percent. | Due to the COVID-19 pandemic, some beneficiaries' projects had become inactive. Measures are now being taken to reactivate those projects. | Action should be taken against the officers who failed to carry out proper supervision, and a formal work plan should be implemented to achieve the expected objectives. |
| (c) | A total of 166 units of 30 types of equipment valued at Rs. 1,657,312 and provided to 34 beneficiaries across 5 Divisional Secretariat offices, and 25 units of 9 types of equipment valued at Rs. 937,044 provided to 8 beneficiaries across 5 Divisional Secretariat offices under the Saubhagya Production Program during 2021 and 2022 remained unutilized. | Due to the economic downturn caused by COVID-19, deaths of beneficiaries, migration for employment, and increased raw material prices, some beneficiaries' projects had become inactive. | - Do - |

Work is now underway to reactivate these projects, and the machinery and equipment belonging to projects still inactive are being redistributed to other suitable beneficiaries.

4.4 Abandonment of Projects Without Completion

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	Out of 1,388 projects valued at Rs. 672,340,482 scheduled to be implemented during the year under review by 5 Divisional Secretariats, only 1,215 projects valued at Rs. 579,977,197 had been implemented. A total of 173 projects valued at Rs. 92,363,345 allocated under various programmes had not been implemented.	Implementation was not possible due to instructions from the Ministry of Transport, Highways, Ports and Civil Aviation to suspend projects, suspension of project implementation by the Presidential Secretariat, some beneficiary societies not being registered, and certain societies not being financially stable.	A formal work plan should be prepared to ensure the full utilization of the allocations received.
(b)	The Thumpane Divisional Secretariat had spent Rs. 972,000 during the year under review for the construction of a spectator pavilion for the playground of Meegahahena College, but the project had not been fully completed.	According to the estimate prepared proportional to the allocation received, the relevant work has been completed. Once further allocations are received, priority will be given to complete the remaining work.	Action should be taken to complete the project using a formal work plan.

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| (c) | For the construction of a collection, storage, and distribution centre for the eco-friendly paper production project using Alimanna grass in the Sriyagama Grama Niladhari Division of the Pathahewaheta Divisional Secretariat area, a contract amounting to Rs. 5,814,890 had been awarded. However, 39 work items valued at Rs. 3,800,560 from item numbers 11 to 49 in the estimate had not been completed. | Due to severe storms and heavy rainfall in November and December 2024, the project could not be completed to the expected level. | Projects should be commenced and implemented in a timely manner, and a formal work plan should be used to ensure completion. |
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4.5 Projects With No Progress Despite Released Funds

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	A construction of community water project in the Thennalanda Grama Niladhari Division under the Medadumbara Divisional Secretariat had been assigned to the National Water Supply and Drainage Board (NWSDB), and the total allocation of Rs. 19,885,000 had been fully paid during the year under review. The following observations are made in this connection.		
(i)	Contrary to Guideline 1.2.1 of the Government Procurement Guidelines, the direct contracting method had been followed. Further, contrary to Guideline 5.4.6, no retention was withheld for each payment. No performance security of not less than 5 percent of the contract value had been obtained as required by Guideline 5.4.8, and 8.14, the contract period had not been extended in terms of Guideline 5.4.8.	The Medadumbara Divisional Secretary had reported that the National Water Supply and Drainage Board had called for competitive bids through open procurement from qualified district-registered parties who expressed interest, and that the contract had been awarded accordingly.	A formal inquiry should be conducted and accordingly, action taken against the officers who acted contrary to Government Procurement Guidelines.

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| (ii) | Although the construction work of this project should have been completed by 31 July 2024, the project had not been completed even as at the audit date of 21 March 2025. Only two tube wells valued at Rs. 2,268,054 had been constructed. | Since different divisions of the National Water Supply and Drainage Board were responsible for implementing this potable water project, payments were made to the groundwater division for constructing the tube wells. The pump house has now been completed; quotations for water pipes have been called; the motor has been ordered; and the Ceylon Electricity Board has agreed to provide the electrical connection once the motor is installed. | Action should be taken against officers who failed to complete the project within the stipulated period, and a formal work plan should be used to complete the project. |
| (iii) | Without completion of work, submission of bills, or execution of a contract agreement, the entire sum of Rs. 19,885,000 had been paid to the National Water Supply and Drainage Board. Further, it was observed that the final payment of Rs. 17,407,664 made on 31 December 2024 had not been certified by the Accountant. | As the National Water Supply and Drainage Board commences work only upon receipt of funds by cheque, the full project allocation had been paid. | Payments should be made only for work properly completed. |
| (b) | For the construction of a crematorium for the Medadumbara Divisional Secretariat Division, based on Cabinet Decision No. අමත/17/1578/716/03 dated 01 August 2017, Rs. 29,775,000 had been released to the National Engineering Research and Development Centre. The following observations are made in this connection. | | |
| (i) | Contrary to Guideline 3.12 of the 2006 Procurement Guidelines, the contract had been awarded to National Engineering Research and Development Centre based solely on the 2017 Cabinet Decision, without | After payment was made by a cheque to the National Water Supply and Drainage Board, the contract period had not been extended, and that future activities would be carried out | A formal inquiry should be conducted and accordingly, action should be taken against the officers who acted |

	<p>competitive procurement, even though capable and resourceful contractors existed. Although the contract period had ended by 31 December 2024 as per Guideline 8.14, it had not been extended. Although Rs. 6,000,000 had been paid as an advance under Guideline 5.4.4, no advance security had been obtained. According to Guideline 5.4.6, although a specified amount should be retained as a performance guarantee from each payment made for the work until the expiration of the defect liability period, the total contract amount agreed upon had been released without retaining any such amount. Further, in terms of Guideline 5.4.8, a performance security corresponding to the estimated value of Rs. 29,775,000 had not been obtained.</p>	without such shortcomings.	irregularly.
(ii)	<p>Although the construction work should have been completed by 31 December 2024 as per the agreement, more than three months had passed since the contract period expired, but the work had still not been completed.</p>	<p>Due to heavy rainfall in December 2024 and January 2025, construction could not be completed within the stipulated period.</p>	<p>Action should be taken against officers who failed to complete the project within the contract period, and steps should be taken to complete the project expeditiously under a proper plan.</p>
(iii)	<p>Contrary to Regulation 138 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, a payment of Rs. 23,638,972 had been made without certification.</p>	<p>The audit observation is kindly accepted. Due to the heavy volume of year-end accounting work, the certifying officer had overlooked certification of this voucher.</p>	<p>Formal action should be taken against officers who failed to act in accordance with Financial Regulations.</p>

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| (iv) | As observed during the physical inspection, the concrete plinth beam with cubic meter 225 × 225 mm under work item C-3 of the 6.7 had been constructed at a very weak standard, and the rubble foundation of 175 cubic meters under the work item D-1 contained large gaps between stones and had not been properly compacted, indicating substandard construction. | Certain defects occurred due to experiencing heavy rainfall. | Action should be taken against the officers who supervised the project, and steps should be taken to rectify the construction defects. |
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4.6 Management Weaknesses

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	A total of Rs. 43,891,319 in pension overpayments had been made to 194 retirees of 19 Divisional Secretariats in the Kandy District during the period from Year 01 to Year 05. Out of this, Rs. 21,657,553 had not been recovered by the end of the year under review.	Over 80 percent of the overpayments occurred due to revision in military salaries and payment of salaries. These overpaid pension installments are being recovered monthly on an installment basis.	A formal inquiry should be conducted, and if overpayments have occurred due to the irregularities of officials, appropriate action should be taken, and the excess payments must be recovered promptly in accordance with the circular.
(b)	During 2023 and 2024, Rs. 367,270 had been overpaid to 35 pensioners and Rs. 696,412 had been underpaid to 50 pensioners residing abroad as cost-of-living and special allowances by 10 Divisional Secretariats.	Overpayments are being recovered in installments, and underpaid amounts are to be settled after the relevant retirees return to the country.	Measures should be taken to ensure the correct calculation of pensions, and a proper investigation must be carried out to recover overpayments without delay and to correct underpayments.

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| (c) | Although a period ranging from 1 year to 27 years has elapsed, the acquisition process of 1,790 land plots belonging to 14 Divisional Secretariats had not been completed. | The acquisition process has been delayed due to the involvement of multiple parties (institutions), and the acquisition activities can be expedited. | Immediate action should be taken to complete land acquisition processes. |
| (d) | Despite 1 to 15 years having passed, the transfer process of 542 land plots under 15 Divisional Secretariats remained incomplete. | Delays in land surveys and deficiencies in requests delayed the transfer process and arrangements are being made to expedite it. | Action to should be taken to complete the land transfers expeditiously. |
| (e) | A total of 1,539 families in 17 Divisional Secretariats of Kandy District had been identified as residing in high-risk landslides areas. By 31 December 2024, only 259 families in 16 divisional secretariats had been resettled; 219 families were referred for resettlement under alternative arrangements, living 1,319 families still in high-risk areas. | They are unwilling to vacate those houses, as no disaster situation has arisen in the relevant locations for a long period, and their livelihood activities are carried out in close proximity to their place of residence. | Action should be taken to resettle families living in high-risk areas. |
| (f) | In 12 Divisional Secretariats, due to delays ranging from 2 months to 22 years between the dates on which approval was granted for compensation payments and the dates on which such payments were made, in addition to the compensation amount of Rs. 259,985,297 for the acquisition of land plots, interest payments of Rs. 167,241,969 were also made for 36 plots of land. | Delays occurred because multiple parties were involved in the land acquisition process, resulting in interest payments. | A formal procedure should be established to make compensation payments as required. |
| (g) | According to the Ministry of Home Affairs Circular No. 06/2024 dated 28 March 2024, monthly allowances of Rs. 15,000 for five Divisional Secretaries were paid for the year 2024 for implementing development projects. Despite the above facts, according to the letter No. ESI/8/Allowance/03/121 dated 31 January 2014 issued by the Secretary to the Ministry of Public Administration and Home Affairs, a total allowance of Rs. 250,000, at Rs. 5,000 per month, had been granted to these Divisional | Divisional secretaries concerned have been informed to take required action as per the circular, and to promptly recover any overpayments made contrary to the circular. | Two allowances should not be obtained for the same task within the same period, and a formal examination should be carried out to recover any overpaid amounts. |

Secretaries for coordinating rural development projects at district and divisional levels and for completing them within the stipulated timeframe with proper expenditure management and supervision.

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| (h) | A loan balance amounting to Rs. 196,661, issued to two officers who had vacated their posts in violation of the regulations in Sections 4.5 and 4.6 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, had not been settled. | A total sum of Rs. 196,661 is recoverable from the two officers. | Action should be taken against the officers who failed to act timely to recover the loan, and steps should be taken to settle the outstanding loan balance without delay. |
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5. Good Governance

5.1 Rendering Services to the Public

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) By 31 December 2024, allowances for 6,534 beneficiaries as senior citizen allowances amounting to Rs. 22,554,400, for 802 beneficiaries as disability allowances amounting to Rs. 6,015,000, and for 179 beneficiaries as kidney allowances amounting to Rs. 1,342,500 remained payable by 11 Divisional Secretariats.	Some beneficiaries were selected for the Aswesuma Program and therefore, allowance payments for November and December 2024 were not made. However, beneficiaries could not receive allowances for various reasons.	A formal examination should be carried out, and steps should be taken to provide the relevant benefits to the entitled beneficiaries.
(b) According to the Registration of Persons Act No. 32 of 1968 and Section 5.2 of the Registration of Persons (Amendment) Act No. 08 of 2016, every person above 15 years must be issued a National Identity Card. However, by 31 December 2024, NICs had not been issued to 866 individuals in 18 Divisional	Persons above 60 have been issued senior citizen identity cards, so individuals are not interested in obtaining National Identity Cards. For persons with disabilities, difficulties in obtaining photographs and a lack of need prevented issuance.	In accordance with the provisions of the Act, a proper procedure should be formulated and implemented to provide services to the public.

Secretariats, including 59 persons between 15 and 40 years of age, 249 persons between 41 and 60 years of age, 508 persons above 60 years, and 50 persons with disabilities. Document deficiencies and lack of interest caused NICs for persons aged 15 to 60 not to be issued.

6. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) According to the approved and actual cadre positions of the Kandy District Secretariat and the 20 Divisional Secretariats as at 31 December 2024, there were 359 vacancies and an excess of 322 Development Officer posts.	The Ministry of Home Affairs and the Management Services Department of the Treasury have been informed in this regard.	A cadre review should be carried out, and necessary action should be taken to fill the existing vacancies and to deploy the surplus staff to other institutions.
(b) The service of 10 officers from two Divisional Secretariats had not been confirmed due to the non-submission of annual review reports and leave reports, as well as delays in submitting the documents required for service confirmation.	The relevant reports will be obtained from the officers, and further measures will be taken accordingly.	Measures should be taken to confirm service orderly manner by avoiding delays.