

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the District Secretariat, Kandy for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 including my comments and observations on the financial statements of the District Secretariat, Kandy was issued to the Accounting Officer on 31 May 2020 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the District Secretariat in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 15 June 2020. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the State Account Circular, No. 271/2019 dated 03 December 2019, give a true and fair view of the financial position of the District Secretariat, Kandy as at 31 December 2019, 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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

The Chief Accounting Officer and the Accounting Officer are 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 such internal control as management determine 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, Kandy 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.

1.4 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 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, they could reasonably be expected to influence the economic decisions of users taken 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me in my report presented with the financial statements of the preceding year with respect to the observations shown in Paragraphs 1.6.3 (b) &(g) of this report, had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-compliances of the Financial Statements with Provisions of the Circulars

Financial statements should be prepared in terms of State Accounts Circular, No. 271/2019, dated 03 December 2019 However, instances of deviations from that requirement, are as follows.

Audit Observation	Recommendation	Comment of the Accounting Officer
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a) The expenditure amounting to Rs. 2,979,860 incurred by other Ministries/Departments on the District Secretariat, had not been adjusted to the Imprest Adjustment Account.	The expenditure incurred by other Ministries/Departments on the District Secretariat, should be adjusted to the Imprest Adjustment Account.	The value of railway warrants had been paid by other Departments on behalf of the District Secretariat. It was an expenditure incurred under the Item of Expenditure, 1003, and that value is included in the sum of Rs. 1,138,996,969 being shown as salaries, wages, and other employee benefits in the statement of financial performance. Had the said value been credited to the Imprest Adjustment Account, that account would be changed by similar value. As such, it was informed that the said value had not been credited to the Imprest Adjustment Account.
b) The difference between the receipts and payments of deposits amounting to Rs.114,992 and Rs. 82,345 respectively, and the difference between the receipts and payments of advances amounting to Rs.11,188,872 and Rs.637,518 respectively as per the Treasury books and the consolidated trial balance, had not been adjusted to the Imprest Adjustment Account.	The differences between the receipt and payment of deposits, and the receipt and payment of advances as per the Treasury books and books of the Department, should be adjusted to the Imprest Adjustment Account.	Such an adjustment is not necessary as there was no difference between the Deposit Account and the Advance Accounts as per the Treasury books and books of the Department.
c) According to the consolidated trial balance, the net expenditure incurred by the District Secretariat on other Ministries and Departments, totaled Rs. 6,510,917,896.	The net expenditure incurred by the District Secretariat on other Ministries and Departments, should be adjusted to the Imprest	The financial statements were prepared based on the total of the values of account summaries presented monthly to the Treasury. As new versions for new Cigas programme were continuously made

However, the same value had been adjusted to the Imprest Adjustment Account as Rs. 6,602,134,826 , thus making an overadjustment of Rs.91,216,930.

Adjustment Account. available by the Department of State Accounts of the Treasury, it was informed that differences occurred when values in the consolidated trial balance were accumulated. As such, the expenditure incurred on other Ministries and Departments totaled Rs. 6,602,134,826 in the Adjustment Account and the cash flow statement.

1.6.2 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>a) A sum of Rs. 417,607,948 should have been shown in the ACA-3 Format as other receipts in terms of Section 7(ii) of the State Accounts Circular, No. 271/2019 dated 03 December 2019. However, a sum of Rs. 512,218,949 had been shown therein after being overstated by a sum of Rs.94,611,001.</p>	<p>The net income collected by the District Secretariat on behalf of the other Ministries and Departments, should correctly be shown under other receipts in the statement of financial performance.</p>	<p>It is informed that the financial statements were prepared based on the total of actual values in the monthly account summaries, and making adjustments by deducting payments already made from the income was non-realistic.</p>
<p>b) According to the Treasury books, the total of the receipt and payment of deposits amounted to Rs.1,137,279,685 and Rs.759,218,566 respectively. The same values had been shown as Rs.1,137,418,505 and Rs.759,375,136 respectively in the statement of financial</p>	<p>The financial statements should be prepared in accordance with provisions of the State Accounts Circular.</p>	<p>The receipts and payments of deposits shown in the financial statements were based on the values quoted from the monthly account summaries; receipts and payments of deposits relating to other Departments were included in the Imprest Account of the District Secretariat; financial statements could not be prepared by eliminating them.</p>

performance, thus overstating the initial values by Rs.138,820 and Rs.156,570 respectively.

1.6.3 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>a) According to the formats on non-financial assets relating to the preceding year and the year under review, the balance of office equipment as at 31 December 2018 and 01 January 2019 had been shown as Rs. 21,343,595 and Rs. 22,096,600 respectively. Accordingly, a difference of Rs. 753,005 was revealed between the closing balance of the preceding year and the opening balance of the year under review. That difference had not been disclosed in the financial statements.</p>	<p>Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts.</p>	<p>The value of office equipment as at 31 December 2018 had been shown correctly. As accounting had been correctly done after the data on the said asset had been input through the online web interface of the new Cigas programme, the value of the said asset amounted to Rs. 22,096,600 as at 01 January 2019. Although it was correctly shown as being the balance as at 01 January 2019, it is acknowledged that the difference of Rs. 753,005 was not disclosed in the financial statement.</p>
<p>b) Comparison of the format on non-financial assets with the assets report of the Treasury revealed that a value of the opening balance amounting to Rs.43,059,865 relating to 07 items of assets had been</p>	<p>Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts.</p>	<p>The Department of State Accounts of the Treasury has introduced the following two methods to computerize the non-financial assets at the present.</p>

overstated in the assets report of the Treasury whereas the value of another 02 items of assets amounting to Rs. 43,850 had been understated in the assets report of the Treasury. Furthermore, the value of closing balance amounting to Rs.64,990,920 relating to 05 classes of assets had been understated in the assets report of the Treasury whilst the value of a class of asset amounting to Rs. 821,584 had been overstated in the assets report of the Treasury.

1. To account the non-financial assets at the time of inputting the daily transactions to the new Cigas program.
2. To account the non-financial assets by uploading data through the Cigas web interface introduced by the Department of State Accounts through their official website.

When both methods mentioned above are followed, the value of non-financial assets accounted by the Department is as same as that of the BOS report of the Treasury.

The difference resulted in when the non-financial assets accounted with the new Cigas program are uploaded through the Cigas web interface, attributes to this discrepancy.

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| c) | A sum of Rs. 77,649,584 had been shown in the BOS report as being the purchases made in the year. However, the same had been shown as Rs.107,540,209 in the format on non-financial assets thus indicating a difference of Rs.29,890,625. | Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts. | The balance in the financial statements is the correct values accounted by the Department daily through the new Cigas program with respect to each class of asset. A difference occurred when those classes of asset were uploaded to the web interface of the Cigas programme introduced by the Treasury. As such, it is informed that a difference is indicated between those balances. |
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d) The disposals within the year amounting to Rs.4,884,090 shown under transfers from the other institutions in the format on non-financial assets, had been the result of correcting errors occurred in recording non-financial assets. No schedules had been made available for the value of Rs.52,743,323 shown as transfers from the other institutions under the acquisition of assets.

Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts, and evidence acceptable to the Audit should be made available.

The values shown as transfers from the other institutions under the acquisition of assets within the year in ACA-6 format, are the ones given below with respect to the 21 offices.

1. The value of assets received by the District Secretariat or the Divisional Secretariats after being issued by the other Departments or Ministries.
2. Once the assets, hitherto unassessed such as, lands, buildings, and office equipment, are identified and assessed, the value brought to accounts in the current year.
3. Corrections made on the errors occurred in reporting on the class of assets through the new Cigas program.

It is the corrections made on the errors occurred when recording the non-financial assets that had been shown as transfers from other institutions under disposals of the year in the ACA-6 format.

e) Comparing the value of disposals made in the year shown in the statement of non-financial assets for the year 2019 with the closing balances mentioned in the BOS report of the Treasury, it was revealed that a value of Rs. 24,638,358 relating to

Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts.

Disposal through sales and disposal through transfers had been shown separately under disposals in the ACA-6 format of the statement of non-financial assets. Accordingly, except for the class numbers 6112205 and 6141100 of the assets, the disposal value of other assets, as pointed out in audit, is correct as per

04 items of assets had been overstated in the BOS report of the Treasury whilst the value of one item of asset amounting to Rs. 87,355 had been understated in the BOS report.

the financial statements. The value of disposals brought to accounts by the offices through the new Cigas program, had been correctly shown in the financial statements. However, this issue occurred due to the difference resulted in when the values were uploaded through the web interface of Cigas programme.

- f) The disposal value of the plant and machinery had been shown as Rs.1,956,138 in the Format on non-financial assets. However, the value of disposals totaling Rs.140,667 made by the District Secretariat and 08 Divisional Secretariats during the year under review, had not been included therein.
- All the disposal values relating to the District Secretariat should be shown under non-financial assets in the statement of financial position.
- It has been informed that action would be taken to apprise the offices related to the sum of Rs. 140,667 that should further be brought under the disposal of non-financial assets thereby being brought to accounts in the year 2020.
- g) Fourteen Grama Niladhari offices pertaining to 06 Divisional Secretariats, one elderly home, 03 SevaPisasa offices, preschools, carpentry schools, community halls and Government lands along with Government quarters belonging to the District Secretariat, Kandy had not been assessed and brought to accounts.
- Cost or the assessed value of all the non-current assets owned by the District Secretariat should be shown under non-financial assets.
- The Department of Valuation had been informed in that connection in several instances. In response, they stated that delays would occur as all the assets of the Government had to be assessed. It is acknowledged as mentioned in the Paragraph that those items had not been brought to accounts thus far. It has been informed that the Department of Valuation would be informed again thus taking further action to account the items during the year 2020.

- h) According to the Treasury books, the receipts and payments of advances totaled Rs. 83,824,923 and Rs. 90,291,183 respectively. The same had been overstated in the statement of financial performance by Rs.37,001,612 and Rs.57,888,801 respectively, thus showing the values of Rs. 120,826,535 and Rs.148,179,984.
- Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts.
- The receipts and payments of advances as per the Treasury books were related only to the Account, 258001. It has been informed that the said situation had occurred as the District Secretariat had prepared financial statements by adding all the values shown under advance accounts in the monthly account summary.
- i) According to the ACA-3 Format, the balance of the imprest account amounted to Rs. 6,946,869 as at 31 December 2019. That balance had also remained to be settled to the Treasury under cash and cash equivalents of the current assets shown in the statement of financial position as at that date. As such the said balance had not been shown under the current liabilities.
- The balance in the Imprest Account as at 31 December of the year under review should be shown under current assets and current liabilities in the statement of financial position.
- It is acknowledged that the balance of the Imprest Account amounting to Rs. 6,949,869 as at 31 December 2019 should be shown under current liabilities in the cash flow statement. It has been informed that the value had not been so shown by mistake.
- j) As per the values of debit and credit shown in the ACA-3 Imprest Account, the unsettled imprest balance amounted to Rs. 6,946,869 in accordance with the Treasury books. However, according to the consolidated trial balance, the same amounted to
- Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts.
- According to the Treasury books, the total value of debits in the Imprest Account amounted to Rs. 8,260,167,450 whilst the value of credit amounted to Rs. 8,253,220,581. However, as per the Treasury books, the same amounted to Rs. 8,260,167,450 and Rs. 8,253,220,581 respectively.

Rs.6,943,869, thus
 indicating an unreconciled
 value of Rs. 3,000.

1.6.4 Cash Flow Statement

 The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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a) According to the consolidated trial balance, receipt and payment of deposits amounted to Rs.1,137,394,677 and Rs.759,300,911 respectively. However, as per the cash flow statement, receipt and payment of deposits amounted to Rs.1,137,418,505 and Rs.759,375,136 respectively. As such, receipt and payment of deposits had been overstated by sums of Rs. 23,828 and Rs.74,225 respectively.	Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts.	- The values actually received in the cash book and the payments made during the financial year should be shown in the cash flow statement. It has been informed that the said situation had occurred as receipt of deposits and making payments relating to the other Departments had also been taken into consideration.
b) According to the consolidated trial balance, the net expenditure incurred by the District Secretariat on other Ministries and Departments, totaled Rs.6,510,917,896. Nevertheless, that value had been shown as Rs.6,602,134,826 under the expenses on operating activities in the cash flow statement after being overstated by Rs.91,216,930.	Reasons attributable to the differences should be identified thereby correctly making adjustments to the accounts.	The financial statements were prepared based on the total of the values of account summaries presented monthly to the Treasury. As new versions for new Cigas programme were continuously made available by the Department of State Accounts of the Treasury, it was informed that differences occurred when values in the consolidated trial balance were

accumulated. As such, the expenditure incurred on other Ministries and Departments totaled Rs. 6,602,134,826 in the Adjustment Account and the cash flow statement.

1.6.5 Failure to Maintain Registers and Books

It was observed in audit test checks that the District Secretariat had not updated the following registers.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>a) Register of Losses</p> <p>The District Secretariat had maintained a register of losses without being updated.</p>	<p>A register of losses should be maintained in an up-to-date manner in accordance with the format given under Financial Regulation 110.</p>	<p>The officers have been instructed to maintain and update the register of losses.</p>
<p>b) Vehicle Log Book</p> <p>The District Secretariat had maintained log books for 07 vehicles in terms of Financial Regulation 1645 (a), but failed to update them.</p>	<p>The vehicle log books should be maintained in an up-to-date manner in accordance with the Financial Regulation.</p>	<p>It has been informed that action would be taken to maintain and update log books by including all the information such as, basic information, repair details, services done, and fuel consumption rates of the vehicles belonging to the District Secretariat, Kandy.</p>

1.6.6 Lack of Evidence for Audit

Audit Observation -----	Recommendation -----	Comment of the District Secretariat -----
<p>Provision amounting to Rs.4,050,000 had been made through the supplementary</p>	<p>Action should be taken to furnish information required by the Audit.</p>	<p>It has been informed that the programme had been suspended with provision of the District Secretariats,</p>

estimate in August 2019 in order to implement the community-based programme- *Green Society* within the divisions of 03 Divisional Secretariats in Kandy district. That programme had been implemented only by the Divisional Secretariat, Thumpane. Provisions of the Divisional Secretariats, Udunuwara and Panvila had been returned. No information thereon had been available at the District Secretariat.

Udunuwara and Panvila taken over by the District Secretary on 10 & 18 December 2019 respectively in accordance with the Letter, No. BD/GPS155/09/01/HA-2019 of the Secretary of the Treasury, dated 20 November 2019 and the Letter, No. HAF-1/5/info'G of the Secretary to the Ministry of Internal and Home Affairs and Provincial Councils and Local Government, dated 22 November 2019.

1.6.7 Non-compliances with Laws, Rules, and Regulations

Observation	Recommendation	Comment of the Accounting Officer
<p>Reference to Law, Non-compliance Rules, and Regulations</p> <p>Public Administration Circular.</p>		
<p>Section 3.1 of the Fuel consumption test had not been conducted on 05 vehicles of the District Secretariat in accordance with provisions of the Circular.</p>	<p>Provisions of the Circular should be followed.</p>	<p>It has been informed that attention would be drawn on the matter pointed out, fuel consumption tests would be promptly conducted on the vehicles of the District Secretariat, Kandy, log books would be updated and the Audit would be informed.</p>

1.6.8 Transactions of Fraudulent Nature

Particulars on the transactions of fraudulent nature observed in the audit test checks, are given below.

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>a) The pension under the Pension, No. 01-239701 amounting to Rs. 428,911 and belonging to a deceased pensioner for the period, May 2008 - January 2012 relating to the Divisional Secretariat, Kundasale, had fraudulently been obtained by her daughter. According to the Financial Regulation 104(4) report in that connection, it had been informed that the sum should be recovered from the parties responsible. A sum of Rs. 214,609 had been recovered from 02 retired Grama Niladharis in accordance with the said recommendation. However, following the appeals made by the rest of the officers, action had not been taken even up to 31 December 2019 for the recovery of loss.</p>	<p>Inquires should be expeditiously conducted on the frauds, and the relevant recommendations should be implemented on the parties responsible.</p>	<p>Action had been taken following the inquiry mentioned in Financial Regulation 104 (4) to recover monies from 02 Grama Niladharis. Appeals had been furnished by another Grama Niladhari, a pension officer, and a document assistant on 02 May 2016, and until the decision of the Ministry is received in that connection, action was not taken to recover the loss.</p>
<p>b) It had been informed through the Letter, No. HAF-3-DICIP-02/004 of the Secretary to the Ministry of Public Administration and Home Affairs, dated 30 August 2013</p>	<p>Inquiries relating to Financial Regulation 104(4) should be conducted by taking into account the recommendations</p>	<p>It had been decided in accordance with the report of the preliminary investigation that a sum of Rs. 42,641 be recovered from one of the Grama Niladharis. However, according to the inquiry as per Financial</p>

relating to the said fraud on pensions that action would not be taken against one of the Grama Niladharis whose name had been mentioned in the said recommendation. Nevertheless, having been found to be responsible for the loss following the inquiry conducted on 11 February 2016 in terms of Financial Regulation 104(4), a sum of Rs. 113,300 had been recovered from his pension.

made in the preliminary investigations. Regulation 104(4), a life certificate had not been issued by following the proper procedure. As such, it had been decided to recover a sum of Rs. 113,300 by taking into account his period of service and the impact on the ensuing years.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
a) There were savings equivalent to 75 per cent of the net provision made on the Object, 258-1-1-0-2509.	Estimates should be prepared correctly in accordance with Financial Regulations.	Supplementary provision for 258-1-1-0-2509 had been made on 09 August 2019, and as a period of 08 months had already elapsed by then, activities relating to the establishment of community-based programme- <i>Green Society</i> , could not be done.
b) No acceptable reasons had been made available on the saving of provision amounting to Rs.3,738,827 that had occurred with respect to 02 Objects.	Estimates should be prepared correctly in accordance with Financial Regulations.	Government's contribution of the interest on property loans of the officers employed at the Divisional Secretariats are incurred under the Object, 258-1-2-0-2506. As there had been a large number of employees eligible for obtaining property loans, that sum had been estimated, but the said saving had occurred due to loan applications not presented to the bank

owing to miscellaneous deficiencies. The saving expected under the Object, 258-1-1-0-2509 was Rs. 2,874,500. That provision was a supplementary provision granted in August 2019, and the saving occurred due to lack of sufficient time.

2.2 Incurring Liabilities and Commitments

Audit Observation	Recommendation	Comment of the District Secretariat
The value of liabilities incurred under the Object, 258-1-2-0-1403 by the Divisional Secretariats, totaled Rs. 400,174. However, that value had been understated by a sum of Rs. 13,709 in Note (iii) of the statement of commitments and liabilities thus showing a sum of Rs. 386,465.	The financial statements should be prepared in accordance with provisions of the Circulars.	It has been informed that this issue had occurred due to a mistake.

2.3 Utilization of Provision Granted by Other Ministries and Departments

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
a) Of the provision totaling Rs.7,983,946,587 given in the year under review by 28 other Ministries and 21 Departments on miscellaneous activities, a sum of Rs. 855,817,282 equivalent to 11 per cent thereof had been returned in the year, and a sum of Rs.801,198,778 therefrom had been the returns of capital provision.	Action should be taken to properly utilize the provision.	Ninety two per cent of the provision received in the year 2019 from miscellaneous Ministries and Departments for the uplift of livelihood in Kandy district, had been utilized, whilst a saving of 8 per cent had occurred, thus indicating a higher level of performance.

- b) Capital provision totaling Rs.56,556,000 received from 02 Ministries, had been totally returned. Action should be taken to properly utilize the provision. The provision amounting to Rs.6,556,000 had been received from the Ministry of Education in order to construct a security wall around the Mahamaya College, Kandy. Due to reasons such as, allocation of provision had been made in November 2019, and revisions on the project had been approved in December 2019, the procurement and construction activities could not be completed within a period of 20 days. Hence, the provision had been returned. The provision amounting to Rs.50,000,000 had been received from the Ministry of Kandyan Heritage and Kandy Development to develop the Dangolla stadium and pavilion. The provision had been returned due to lack of time for completing the project after making procurements.
- c) The total value of bills to be settled with respect to projects implemented by 08 Ministries including the Presidential Secretariat, amounted to Rs.568,037,770 as at 31 December 2019. Of that, bills valued at Rs.458,702,045 had remained unsettled even by 18 May 2020. Reports of the technical officers should be obtained on the completed projects, thereby taking measures to make payments immediately. It is acknowledged that bills valued at Rs. 568 million relating to miscellaneous development Programmes carried out in the district by the District Secretariat, could not be settled by the end of the year 2019 due to non-receipt of adequate imprests from the Treasury. Despite the lapse of 05 months in the year 2020, imprests sufficient for settling

all those bills have not been received thus far.

d) Presidential Secretariat

With the objective of empowering people by allowing them to eradicate poverty themselves thereby rising with own endeavours along with the thousands of other communities, the *Grama Shakthi Peoples Movement* had been implemented by the Presidential Secretariat at the Grama Niladhari divisions. A total provision of Rs.193,800,000, comprising Rs.1 million each for the years 2018 and 2019 on 62 associations registered in the first stage, and a sum of Rs. 410,000 on 181 associations under the second stage including the initial deposit, had been allocated. However,

- (i) A sum of Rs. 8,000,000 on 9 associations under the first stage in 4 Divisional Secretariats for the year 2019, and a sum of Rs.40,400,000 for 102 associations in 12 Divisional Secretariats under the second stage, had not been credited to the accounts of the associations as at 30 April 2020.

Instructions of the Constitution should be followed in order to fulfill the objectives of the project.

The second installment for the first stage of the *Grama Shakthi* programme had been allocated through the letter dated 24 May 2019, and it had been informed through the letter dated 04 June 2019 that the installment be released to the Divisional Secretariats. However, as imprests had not been granted, a sum of Rs. 08 million pertaining to 08 associations under 04 Divisional Secretariats, could not be credited to the bank.

The first installment of the second stage had been granted on 27 February 2019. However, problems occurred due to lack of imprests for releasing a sum of Rs. 40,400,000 to the associations as registration of 101 associations under 12 Divisional Secretariat had not been completed.

(ii) As for the utilization of provision granted to the associations under the first stage, 42.7 per cent, 23.6 per cent, and 56.6 per cent of the provision had been utilized on livelihood, capacity, and infrastructure facilities respectively, thus reaching an overall utilization of 41.5 per cent. Of the provision granted to the associations under the second stage, 6 per cent and 9 per cent had been utilized on livelihood, and capacity respectively, thus indicating an overall utilization of only 7 per cent.

e) Ministry of Co-operative Development and Vocational Training and Skills Development.

(i.) Purchase of equipment for selling foods, garment manufacturing equipment, electrical appliances, equipment for agricultural purposes and carpentry, technical equipment, and sewing machines for women had been made in November and December, 2019 at an expenditure of Rs.24,525,013 with respect to the Nanwamu Lanka program implemented with the objective of uplifting the entrepreneurs. Those equipment remained stored at

Implementation should be done without delay thereby fulfilling the objectives of the project.

It had been informed through the letter of the Secretary to the Ministry dated 15 February 2020 that the equipment purchased be handed over to the district Assistant Director of the Industrial Development Board. Nevertheless, having planned stores and transport requirements, action had been taken to transport and hand over those items to the stores of the Civil Security Department in Pallekele on 14, 16, and 17, March 2020.

several places of the District Secretariat even up to February 2020 without being distributed, had been handed over to the district Assistant Director of the Industrial Development Board in March 2020 in the wake of issuing the audit query.

- (ii.) There existed the risk of expiring the warranty period of equipment that remained stored after being purchase, thus losing the possibility of obtaining after-sales services as well.
- Action should be taken to obtain the benefits from the purchase of items.
- The situation pointed out by the Audit was informed to the Ministry verbally. It is stated that this was caused due to instructions not given on handing over the equipment formally, and it is informed that the Ministry is responsible therefor.
- (iii) Contrary to the Letter, No. EC/EDR/PRE/INQ/2019 issued on 22 October 2019 by the Assistant Election Commissioner (Legal and Investigation) of the Election Commission with respect to the *Nanwamu Lanka* program, machinery valued at Rs. 18,140,573 had been purchased before 18 November 2018.
- Action should be taken in accordance with Circulars.
- As the letter of the Election Commission dated 22 October 2019 addressing the Secretary to the Ministry, had not been received by the District Secretariat, purchases valued at Rs. 18,140,573 had been made before 18 November 2019.

f) Department of Pensions

Pensions had been paid to a retiree in the division of Divisional Secretariat, Thumpane whose W&OP No. was 21-25006, by using the temporary file maintained since 23 November 1993. A permanent file had not been maintained even by 31 December 2019.

Officers should make sure to properly perform their duties.

Reports of the Grama Niladhari required to process the identity card had been requested, but it was delayed as she had been off sick.

It has been informed that, by now, the identity card has been processed, and the file has been sent to the Department of Pensions.

g) Women's Bureau

(i) As for the beneficiaries who had obtained loans under the Circular Loan Program implemented by the Women's Bureau of Sri Lanka, a sum of Rs. 24,015 relating to 06 loan balances as at 30 June 2020 with respect to the Divisional Secretariats of Udapalatha, Harispattuwa, and Pathahewaheta, had not been recovered within a period of 1-10 years.

Officers should make sure to properly perform their duties.

Outstanding loan balances had been settled with respect to the Divisional Secretariats of Panvila, Doluwa, and Pathadumbara. It has been informed that one, two, and three loan balances still remain recoverable with respect to the Divisional Secretariats of Udapalatha, Harispattuwa, and Pathahewaheta respectively.

(ii) Under the objective of encouraging women to perform daily transactions properly by improving their interest in savings through enhancing the economy of rural women thereby preventing them from obtaining loans on higher interest rates, the Women's Bureau had implemented the Circular

In order to economically empower the rural women, the Circular Loan Program should be implemented within the divisions of all the Divisional Secretariats.

Even though funds had been requested from the Women's Bureau of Sri Lanka for the Circular Loan Programme, it has been informed by the Divisional Secretaries that no funds have so far been received in that connection.

Loan Programme.
 However, this programme had not been implemented for the year 2019 within the divisions of the Divisional Secretariats, Medadumbara, Hatharaliyadda, and Delthota.

- (iii) According to the Letter, No. MWGA/WB/අරා.කා.සැ/2017 of the Director of the Women's Bureau of Sri Lanka, dated 12 January 2017, women's task societies should be established and registered covering the Grama Niladhari divisions. However, it was observed in the audit test checks that 44 such societies had not been registered in 684 Grama Niladhari divisions under the Divisional Secretariats of Pathahewaheta, Ududumbara, Udunuwara, Harispattuwa, Akurana, Minipe, and Hatharaliyadda.
- Action should be taken in accordance with Circulars.
- There are delays in opening accounts for the societies, and registrations have been delayed due to defects in the documents and the registration fee is Rs. 1,050 – the Divisional Secretaries have informed.

- h) Department of Probation and Child Care Services.

Action should have been taken to establish children's societies covering the Grama Niladhari divisions and register them with the Department of Probation and Child Care Services. However, of the 1187 Grama Niladhari divisions

Action should be taken in accordance with the instructions given at the district meetings.

The Divisional Secretaries have informed that applications for registering the unregistered children's societies would be requested and forwarded to the Department of Probation and Child Care Services so as to

under 20 Divisional Secretariats, children's societies had been registered only in 1002 Grama Niladhari divisions.

promptly establish the children's societies.

i) National Secretariat for Elders

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| (i) Once it is confirmed as per the register that elders' allowance has not been obtained for a period of 03 months consecutively, approval of the regional committee should be obtained by the subject clerk prior to removing the beneficiary from the register in accordance with Section 2.1.5 of the Circular, No. NSE/EL/01/2018 of the Ministry of Social Welfare and Primary Industries, dated 15 October 2018. Nevertheless, without being approved by the regional committee, names of 03 and 07 beneficiaries pertaining to the Divisional Secretariats of Hatharaliyadda and Doluwa respectively had been removed. | Action should be taken in accordance with Circulars. | The Divisional Secretary, Hatharaliyadda informed that although the elder's allowances not obtained for 03 months had been suspended, action will be taken in accordance with Circular instructions of the Assistant Divisional Secretary given in the year 2020 whilst instructions were given to examine and report on the allowance suspended in the preceding year. The Divisional Secretary, Doluwa informed that the beneficiaries who had not obtained the elder's allowance for 03 consecutive months would be removed from the register through the decisions of the regional committee as per the Circular. |
| (ii) Contrary to the provisions in Section 2.3 of the said Circular, beneficiaries had been selected by the officers of the Divisional Secretariat, Thumpane without having a regional committee for selecting beneficiaries. | Action should be taken in accordance with Circulars. | The Divisional Secretary, Thumpane informed : beneficiaries were selected through discussions held by the regional committee, reports of the committee have not yet been prepared but action will be taken in due course to prepare the committee report. |

j) Ministry of Women and Child Affairs

The Poshana Malla nutrition stamp programme had been implemented with the objective of providing proper nutrition in a timely manner during pregnancy and eradicating low weight births from Sri Lanka. However, in 893 instances at the Divisional Secretariats of Medadumbara, Thumpane, Pathahewaheta, and Doluwa, a sum of Rs. 1,786,000 had been returned as at 31 December 2019 without obtaining the nutrition stamp .

Action should be taken to obtain maximum benefits from the provision.

The Divisional Secretaries have informed in general that nutrition stamp is not obtained due to reasons such as, pregnant women leaving for another division to deliver the child, negligence, nutrition voucher being misplaced by the mothers, abortion, mothers coming after expiration of the validity period of the voucher. Letters have been sent to every mother informing on the shops, and they have also been informed at clinics. Goods are issued between the 20th and 30th day of the month under the Poshana Malla nutrition stamp programme; notices are displayed in front of the shops; and beneficiaries are informed through the Grama Niladharis.

k) Department of Agriculture

(i) Of the provision granted to the District Secretariat, Kandy by the Ministry of Agriculture to purchase paddy for the Maha Season, 2018/2019, a sum of Rs. 10 million had been given in 04 instances to the Kandy district Paddy Manufacturers Cooperative Society Limited. A sum of Rs. 05 million therefrom given in 2 instances had been settled after a delay of one month

Action should be taken to settle the loan in accordance with the agreements.

As the draft agreement had been approved by the Attorney General's Department, no action was taken to amend the conditions thereof.

A reminder was sent through the letter dated 18 December 2019 requesting that the said sum be settled in full by 31 December 2019. However, they defaulted on the payment contrary to the agreement; as such, a discussions was held on 20 January 2020 and apprised them

whereas the sums of Rs. 4 million and Rs. 1 million given on 05 August and 31 October 2019, had not been settled as at 30 June 2020 although delays of 04 months and 02 months had occurred respectively.

of the problems likely to arise on the failure of making payment thereby asking to settle the payment promptly. It has been informed that a complaint was lodged with the special crimes investigation division, Kandy on 22 April 2020 as to the failure in making payment.

- 1) (ii.) Even though the District Secretary had been informed by the Assistant Commissioner of Cooperative Development on 15 May 2019 relating to the incapability of the said cooperative society in settling the loan, and the settlement of loan had been delayed, it remained questionable as to why a sum of Rs. 01 million had been paid to the cooperative society again. A condition on the recovery of penalties for delay had not been included in the agreement as well.
- Loans should be granted only after obtaining confirmations on the repayment ability and information relating to the settlement of previous loans.
- It was so mentioned in the report presented on 15 May 2019. However, as for the sums of Rs. 04 million and Rs. 01 million granted on 05 August 2019 and 31 October 2019 respectively, it has been informed that recommendations of the Assistant Commissioner of Cooperative Development had been obtained through the letters dated, 24 July 2019 and 06 September 2019 respectively.

2.4 Issue and Settlement of Advances

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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a) According to the reconciliation statement of Public officers' advance account, a loan balance of Rs. 680,024 remained in	Action should be taken to recover the advances without a delay.	It is acknowledged that a balance of Rs. 208,230 remained recoverable as at 2019.12.31 from 03 interdicted officers from 02 Divisional Secretariats. As for the current progress of those loan

arrears as at 31 December 2019. That balance included sums of Rs.178,250 and Rs.170,276 belonging to 02 interdicted officers of a Divisional Secretariat, and 02 officers from 02 Divisional Secretariats who had vacated the service, respectively; and, those sums remained in arrears even after a delay of 6-16 years as at 30 June 2020.

balances, the loan balance of Rs. 24,440 had been recovered in full on 03 June 2020 whilst a sum of Rs. 5,540.00 had been recovered from the balance of Rs. 47,140. Disciplinary inquiry has been commenced against the officer whom the loan balance of Rs. 136,620 belonged to. It has been informed that action would be taken to expedite the disciplinary inquiry against the other 02 officers.

- b) When a loan is granted, the total deductions should not exceed 40 per cent of the salary of the officer in terms of Section 3.5 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka. Loans totalling Rs. 283,782 had been granted in 06 instances by exceeding that limit.
- Loans should be granted in a manner not exceeding the limit of 40 per cent in accordance with the provisions of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.
- It is acknowledged that a mistake had occurred when calculating the 40 per cent limit of the salary. It has been informed that the officers were instructed to avert such deficiencies in the future.

2.5 Deposit Balances

Audit Observation	Recommendation	Comment of the Accounting Officer
The project for the development of playground at the MinigamuwaMahaVidyalaya had been completed under the Gamperaliya, the rapid rural development programme – 2018, and handed over to the Divisional Secretariat, Thumpane on 14	Action should be taken to correct the defects of the development projects as soon as possible.	Some of the defects were corrected in the wake of the audit query, but the works could not be completed due to Covid 19 outbreak. The Divisional Secretary has informed that reminders were sent to that school in this connection.

November 2018. However, due to failure in correcting the defects, the retention money amounting to Rs.67,901 had been retained in the General Deposits Account over a period of one year.

3. Operating Review

3.1 Planning

Deficiencies observed in planning on performance in terms of Public Finance Circular, No. 2014/01 dated 17 February 2014 along with other planning deficiencies, are as follows.

Audit Observation	Recommendation	Comment of the Accounting Officer
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a) The organizational structure, approved cadre, and actual cadre of the District Secretariat had not been included in the Action Plan contrary to Section 3(a) of the Circular.	The Circular should be followed.	Although information on the approved and actual cadre of the District Secretariat had not been included in the draft annual Action Plan, such information has been included in the annual Action Plan prepared at present.
b) The imprest plan relating to the annual activities had not been included in the Action Plan.	The Circular should be followed.	The annual imprest plan had separately been presented to the Director General of Treasury Operations, but it had not been included in the draft annual Action Plan. It has been informed that the Action Plan prepared at present contains the imprest plan.
c) The annual Procurement Plan and the Internal Audit Plan had separately been prepared with respect to the main development	The Circular should be followed.	It has been informed that the annual Procurement Plan and the Internal Audit Plan have been included in the Action Plan prepared at present.

programmes planned, but those plans had not been included in the Action Plan contrary to the Circular.

3.2 Failure to Achieve the Expected Level of Output

 The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
a) In order to provide sanitary facilities for the teaching staff of the Illagolla Primary School, Doluwa under the decentralized provision, a lavatory had been constructed by the school development association of the school at a value of Rs. 194,000. However, the bottom side of the concrete slab of the lavatory had not been plastered , nor had a pavement been constructed.	The projects should be implemented in accordance with the estimates and specifications.	Plastering and constructing the pavement could not be executed within the financial limit approved. There were no estimates made in that connection as well, and the lavatory is already in use.
b) A lavatory had been constructed for the students of the Illagolla Primary School, Doluwa under the Gamperaliya rapid development programme by the school development association at an expenditure of Rs. 485,000. Even after 05 months from completing the constructions as per the agreement, the activities such as, plastering and painting the doors and walls had not been done.	The projects should be implemented in accordance with the estimates and specifications.	The works mentioned in the audit query had not been executed due to the approved limit for provision being exceeded. The undone works will be done through the school, and the lavatory is in use at present – it is informed.

3.3 Delays in the Implementation of Projects

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>An agreement valued at Rs.87,900,000 had been entered into between the Ministry of Public Administration and the contractor on 06 December 2017 for the construction of eight 4-storied houses under the Nilapiyasa, the project for constructing Government quarters, after demolishing the Government houses located on Adahana Maluwa road, Asgiriya, Kandy. The contract should have been completed by 13 September 2018 as per the agreement. But, extensions to the period of completion had been obtained thrice as of 31 December 2019 due to reasons such as, delays in settling the ownership of the land before commencing the constructions, changes made on structural plans from time to time, and items included in the estimate had not been sufficient. Nevertheless, works had not been completed even by 12 February 2020.</p>	<p>Based on the estimates and specifications, the projects should be completed on time thereby achieving the objectives.</p>	<p>All the activities of the housing complex such as, preparation of estimates, procurement activities, and supervision of constructions, are executed by the Ministry of Public Administration and Management, and Provincial Councils and Local Government. As such, it has been informed that queries on delays should be sent to the Ministry.</p>

3.4 Annual Performance Report

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>a) The progress obtained by the Accounts Division in the year 2019 with respect to the targeted programs mentioned in the Action Plan, had not been shown in the performance reports.</p>	<p>The performance relating to the activities shown in the Action Plan, should be included in the performance report.</p>	<p>Not included in the draft performance report by mistake. It has been informed that information has been included in the final performance report.</p>
<p>b) Progress on 15 programmes included in the Action Plan with respect to the areas such as, disaster management, national languages and social integration, agriculture and planning, had not been shown in the performance report.</p>	<p>The performance relating to the activities shown in the Action Plan, should be included in the performance report.</p>	<p>Progress on the programme for updating the information system of the disaster management division, has been shown in the performance report.</p> <p>Progress on 18 activities of the national languages and social integration division, has correctly been shown in the performance report.</p> <p>Programmes under the agriculture division has been included in the performance report as a summary.</p>
		<p>Progress on the programmes included in the Action Plan of the planning division could not be shown in the performance report by mistake. It is informed that the performance report has been prepared by including the said progress.</p>

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| <p>c) Without revising the annual targets relating to 03 programmes mentioned in the Action Plan of the planning division, the annual targets had been differently shown in the performance report. As such, when the progress achieved with respect to each project was compared with that of the actual target, considerable variations were indicated.</p> | <p>Based on the provision granted for the scheduled projects, it is necessary to implement such projects in accordance with the project proposal thereby ensuring maximum service to the public.</p> | <p>As per the Action Plan, the annual target remained so. However, this was changed due to reasons such as, all the projects proposed were not approved when it came to implementing, some of the projects could not be implemented due to environmental issues, and suspending certain projects during the period of elections. As such, a revised Action Plan should have been presented in that connection, but due to failure in doing so, the progress had been understated.</p> |
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3.5 Procurements

The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>a) According to Guideline 4.2.1(c) of the Government Procurement Guidelines, procurement activities for the immediately succeeding year shall be prepared in detail. However, due to failure of the District Secretariat in doing so, the procurement targets could not be clearly identified.</p>	<p>Provisions of the Government Procurement Guidelines should be followed.</p>	<p>The sum allocated on the Items of Expenditure, 2001, 2002, 2003, 2102, 2103, and 2401, totaled Rs. 21.3 million. Owing to the problem as to how that sum should be disbursed among 21 offices, it is pointed out that the procurements were prepared based only on the Items of Expenditure instead of preparing the detailed plan. It has been informed that details were given under the Item of Expenditure, 2104.</p>
<p>b) A Procurement Plan, revised on 30 June 2019 had been prepared by the District Secretariat, but due to failure in showing detailed</p>	<p>Provisions of the Government Procurement Guidelines should be followed.</p>	<p>The provision made on 6 Items of Expenditure amounted to Rs. 21.3 million. As disbursement of that amount among the works of 21 offices became problematic, it was</p>

information relating to provision being allocated separately for District Secretariats and Divisional Secretariats under each Item of Expenditure, the objectives expected from a Procurement Plan could not be met.

difficult to specifically show the provision to be allocated on Divisional Secretariats. It has been informed that a methodology has been followed to allocate provision by considering the timely requirements of the Divisional Secretariats.

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| <p>c) Dates of commencement and completion of each procurement activity should have been specifically planned by the District Secretariat. However, that aspect had not been identified in the Procurement Plan. Instead, the phrase “in the year” had only been shown.</p> | <p>Dates of Procurement Timetables had been commencement and completion of each procurement activity should be specifically planned by the District Secretariat.</p> | <p>of Procurement Timetables had been prepared on the construction of buildings relating to 4 Divisional Secretariats under the Item 2104 of Expenditure. Due to failure in preparing a detailed plan for the other Capital Objects, it has been informed that a Procurement Timetable had not been prepared.</p> |
| <p>d) Information on the items of work valued at Rs. 6,315,851 expected to be carried out by 11 Divisional Secretariats under 4 Items of Expenditure during the year 2019, had not been shown either in the Procurement Plan or the revised plan presented.</p> | <p>All the projects relating to Capital Objects expected to be implemented during the year under review, should be shown in the Procurement Plan.</p> | <p>The Items, 2001, 2002, and 2003 of Expenditure were not related to the acquisition of capital assets; instead, they were related to the rehabilitation and improvement of capital assets. As such, the provision had not been included in the plan, and action has been taken to include in the year 2020.</p> |

3.6 Assets Management

The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>a) Five Government quarters belonging to the District Secretariat remained uninhabitable for a period ranging from 06 months to 07</p>	<p>Provision should be made at least in installments thus drawing attention to repair the quarters.</p>	<p>As no provision had been made adequately despite the estimates prepared on repairs, the repairs could not be done.</p>

years. There had been 72 officers in the waiting list for a period of 06 years to obtain Government quarters. However, the District Secretariat had not drawn attention to repair those quarters and provide them for those officers.

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| <p>b) The District Secretariat had incurred sums of Rs.2,514,446, Rs. 228,433, and Rs. 463,673 in the years 2016, 2018, and 2019 respectively for repairs on the Government quarters, but no repair has been done on the 05 quarters remaining abandoned at present.</p> | <p>Action should be taken to repair the Government quarters and utilize them without being left to be dilapidated.</p> | <p>Due to the higher value estimated for 05 dilapidated quarters, the repairs could not be done owing to lack of provision.</p> |
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3.7 Securities of the Government Officers

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>Contrary to the internal Circular, No. 1/99 of the Ministry of Public Administration, Home Affairs and Plantation Industries, dated 09 April 1999, and the Letter, No. HA/GN/4/2/1/௧௪௩ of the Ministry of Public Administration and Home Affairs, dated 22 December 2008, securities had not been obtained from a Driver of the District Secretariat even by 31 December 2019.</p>	<p>Action should be taken to obtain securities in terms of the Circular.</p>	<p>As the personal file of the Driver of the District Secretariat has not been received thus far, the security has not been given - it is informed.</p>

3.8 Losses and Damages

The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
a) Two vehicle accidents causing a damage of Rs. 3,418,095 as per the register of damages for the vehicles, had not been shown in the “statement of losses and omissions – note (i)” in the financial statements for the year 2019.	The Circular should be followed.	The said 02 accidents have been included in the statement of losses and omissions.
b) The pool vehicle of the District Secretariat, Kandy bearing the Number, CP PC-4579 had met with an accident on 21 July 2019, but information in that connection had not been shown in the accident register. As the inquiry on the accident had not been concluded, information had not been included in the statement of omission of losses and damages as well.	All the information should be shown in the financial statements in accordance with the Circular.	It has been informed that an inquiry was underway in terms of Financial Regulation 104(4) on the accident involving the vehicle, CP PC-4579.
c) The value of the damage caused in the accident occurred on 05 May 2017 involving the vehicle, No. CP PD-6103 of the Divisional Secretariat, Udapalatha, amounted to Rs.2,223,927. The Letter, No. HA/F/19/WRI/04/P-6 of the Ministry, dated 05 August 2019 relating to the recovery of Rs. 210,093 from the	The Financial Regulations should be followed.	Action is being taken to file a case through the Attorney General’s Department in regard of the accident involving the vehicle, CP PD-6103. It has been informed by the Divisional Secretary that the driver of the bus had been demised, a letter would be sent giving information in that regard, further action would be informed through the Attorney General's Department accordingly,

relevant parties, had not been heeded.

and information would be updated and furnished.

- d) The vehicle bearing the number, WP PA-4984 belonging to the Divisional Secretariat, Gagaihala Korale had met with an accident in November 2008. The expense incurred on the repair amounted to Rs. 288,348. It had been decided by the committee that 50 per cent of the damage be recovered from the parties responsible. However, that sum had not been recovered as at 30 April 2020.
- Action should be taken to recover the loss from the parties responsible.
- It has been informed that, as per the file, a sum of Rs. 50,000 had been paid on 21 May 2020, and action had been taken to recover the balance in 02 installments.

3.9 Uneconomic Transactions

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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a) Three officers of the Divisional Secretariats, Udapalatha, Pathadumbara, and Yatinuwara, had obtained motorbikes and been transferred to other posts for which motorbikes had not been entitled. However, the market value of the motorbikes amounting to Rs. 421,920 had not been recovered from them in terms of the Letter, No. BD/1/1/11/1/(උප)1/2017, dated 04 August 2017.	The market value of the motorbikes should be recovered in terms of the Circular.	The officer of the Divisional Secretariat, Udapalatha had been reminded through the relevant Ministry in several instances, and legal action would be taken. The Attorney General's Department had been informed to recover the monies from the officer of Yatinuwara. The officer of Pathadumbara had been informed to pay the value of the motorbike.

- b) It was informed in Paragraph 2 of the Letter, No. BD/GPS/130/9/4/MC-8 of the Director of the National Budget Department, dated 22 November 2019 that one officer was entitled to only one motorbike. However, 06 field officers who had obtained motorbikes on concessionary rates, also obtained motorbikes granted at concessionary rates to the members of the Local Governments (as confirmed by the Commissioner of Central Provincial Local Government). Nevertheless, the market value of one motorbike had not been recovered from them.
- The Circulars should be followed. It has been informed that discussions were held in that connection at the meeting of the Audit and Management Committee held on 29 April 2019, the motorbike had been granted legally by the District Secretariat, and a decision was taken to refer to the Chief Secretary as the second motorbike had been obtained from the Local Government.

3.10 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>a) Delays ranging from 2 years to 23 years were observed in audit test checks relating to 15 instances of acquiring lands with respect to the Divisional Secretariats Medadumbara, Thumpane, Doluwa, and Pathahewaheta. As such, the objectives of acquiring lands could not be fulfilled.</p>	<p>Action should be taken to expedite the acquisition process in accordance with provisions of the Land Ordinance.</p>	<p>As it is necessary to deal with a number of institutions when acquiring lands, delays would occur in that process; delays occurred in the inquiries conducted on the ownerships and compensation-informed by the Divisional Secretaries.</p>

- b) A number of 87 families residing in high risk areas in the Divisional Secretariat, Pathahewahetaduring the years 2013, 2014 and 2017, had been identified by the National Buildings Research Organization to be resettled. Seventy four families of them had given their consent to be resettled. Nevertheless, translation of notices under Section 07 of the Land Acquisition Act into English / Tamil was still in progress even by December 2019.
- The families residing in high risk areas and willing to reside somewhere else should be resettled with immediate effect.
- As they expressed their unwillingness to be resettled in Government lands, the Grama Niladharis had gathered information as to how they expressed their willingness for alternative opportunities thereby referring to District Secretary. Conducting inquiries on ownership was delayed due to Covid 19 outbreak, and after scheduling dates in that connection, the notice was sent to the Government Press on 19 June 2020.
- c) According to the Letter, No. GSM/KRC/AGA/2018/36 of the Registrar of the Geological Survey and Mines Bureau, dated 01 October 2018, the administrative fees recoverable as at the 10th day of each ensuing month should be retained whilst the balance amount should be remitted to the Geological Survey and Mines Bureau. However, as observed in audit test checks conducted with respect to the Divisional Secretariats, Hatharaliyadda and Pathahewaheta, the revenue of Rs. 155,898 collected for issuing the sand and soil licenses had been remitted to the Geological Survey and Mines Bureau
- The Circulars should be followed.
- The delays have been acknowledged. It has been informed by the Divisional Secretaries that action will be taken in due course to remit the monies promptly in accordance with the Circular.

after a delay ranging from 09 to 23 days.

- d) Encroachment or unauthorized use had been observed with respect to 75 plots of Government land in extents of 02 – 120 perches within the divisions of Divisional Secretariats, Thumpane and Pathahewaheta. The officers should properly carry out their duties. Biweekly reports are obtained through the Grama Niladharis. A register has been prepared on the encroachers. It has been informed by the Divisional Secretary, Pathahewaheta that action was being taken to forward to the provincial Land Commissioner for regularizing lands for them, conduct land kachcheris, prepare development reports, survey the lands and send directives for survey. Divisional Secretary, Thumpane informed that a land kachcheri had been conducted on 19 December 2019 thus taking action to regularize such lands, and monthly reports were called for in terms of Grama Niladhari divisions to control encroachment.
- e) Instructions had been given in the Public Finance Circular, No. PF 443, dated 22 May 2010 that a deposit should be provided with the cooperative society based on the monthly fuel requirement thus taking action to obtain fuel from the filling stations owned by the society on the basis of not exceeding the value of the deposit whist priority should be given by the Government institutions to the filling stations of the cooperative societies. Officers should perform their duties in accordance with the Circulars. Although the pre-order method was followed for fuel, that had to be discontinued due to various issues. It has been informed that the possibility of obtaining fuel from the multipurpose cooperative societies again would be looked into and a management decision would be taken to implement that option.

However, the said methodology had not been followed by the District Secretariat, Kandy.

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| f) | A sum of Rs. 51,588,445 had been spent for improving 96 roads in two stages under the rapid development programme – Gamperaliya. Although the Pradeshiya Sabha, Udapalatha had given consent on the roads improved under that programme, many of the roads improved thereunder had not been published in the Gazette. | The officers should perform their duties properly. | Once the roads were improved under approval of the Pradeshiya Sabha, such roads were handed over to the Pradeshiya Sabha. It has been informed that the Pradeshiya Sabha would publish those roads in the Gazette. |
| g) | A sum of Rs. 1,231,687 remained recoverable as at 30 June 2020 out of the advance amounting to Rs.4,303,617 given to the cooperative society, Minipe in the year 2000 for purchasing paddy. | Action should be taken to recover the monies in accordance with the decisions taken at the meetings of the Public Accounts Committee held on 22 March 2012 and 23 February 2016. | It has been informed that progress would be reviewed at the meetings of the Audit and Management Committee. |

4. Achievement of Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Accounting Officer
The Sustainable Development Goal and the targets expected to be achieved under the religious affairs division of the District Secretariat were not consistent with the activities mentioned	Action should be taken to properly identify the Sustainable Development Goals and targets.	Irrelevant targets had mistakenly been included under the religious affairs division as Sustainable Development Goals and targets. It has, however, been informed

under the same division. There existed no possibility of achieving the Sustainable Development Goal and the targets through the activities scheduled to be executed.

that corrective measures have been taken.

5. Good Governance

5.1 Rendering Services to the Public

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>a) In terms of Section 24(3) of the Right to Information Act, No. 12 of 2016, the relevant officer should immediately acknowledge in writing the receipt of a request for information. When the request for information was so acknowledged by the Divisional Secretariats, Medadumbara, Pathahewaheta, and Doluwa, delays ranging from 02 to 15 days occurred in 15 instances.</p>	<p>Provisions of the Act should be followed.</p>	<p>It has been informed that suitable measures would be taken in due course to avoid delays.</p>
<p>b) In terms of Section 25(1) of the Right to Information Act, No. 12 of 2016, it is necessary to decide whether the information requested should be provided within a period of 14 days since the date of receiving the request, or the request should be turned down based on one or more</p>	<p>Activities should be concluded without delay.</p>	<p>It has been informed that a certain time was needed for making payment, and delays occurred when arriving to obtain information.</p>

reasons given under Section 05 of the said Act. The decision so taken should immediately be communicated to the citizen. Nonetheless, there were 04 instances in which the District Secretariat, Kandy and the Divisional Secretariat, Pathahewaheta, had provided the requested information after delays ranging from 4-49 days.

6. Human Resource Management

The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
a) There existed 305 vacancies as at 31 December 2019 though, those vacancies remained unchanged even as at 31 March 2020.	Action should be taken to fill the vacancies in essential posts thus ensuring a smooth service.	It has been informed that cadre information of the District Secretariat, Kandy and 20 Divisional Secretariats relating to the first quarter of the year 2020, could not be updated due to Covid 19 outbreak,
b) A considerable number of vacancies existed as at 31 December 2019 in the posts of Deputy Planning Director, Administrative Officer, Translator, Development Officer, Technical Officer, Management Assistant, and Information Technology Officer. The long-term existence of such vacancies was observed to be an	Action should be taken to fill the vacancies in essential posts thus ensuring a smooth service.	The posts became vacant due to officers being retired, deceased, and transferred. The reports in that connection are sent to the Department of Management Services trimonthly. It has been informed that vacancies are filled by the Ministry of Public Administration and Home Affairs.

impediment for the District Secretariat and the Divisional Secretariats to efficiently render their services to the public.

- c) There existed 123 vacancies for Grama Niladhari divisions under 20 Divisional Secretariats in Kandy district as at 31 December 2019. Action should be taken to fill the vacancies in essential posts thus ensuring a smooth service. - Do.
- d) As the transfer policy had not been implemented by the 20 Divisional Secretariats and the District Secretariat, Kandy as per provisions of Circulars, 325 officers remained in service at the same work place over extensive periods. Transfers of the Government officers should be executed in terms of provisions relating to transfers of the public officers mentioned in Chapter XVIII of the Procedural Rules (Volume 1) of Public Services Commission published in the Gazette Extraordinary, No. 1589/30 dated 20 February 2009, and the Public Administration Circular, No. 18/2001 dated 22 August 2001. Even though some of the officers had made requests for transfers under the transfer policy of the Director General of Combined Service, they had not been transferred. It has been informed that the Director General of Combined Service was informed after completing the service of officers who had not requested for transfers.
- e) Sixty officers of the District Secretariat and 15 Divisional Secretariats who had passed the Efficiency Bar examination during the probationary period, were in service for 3 years after the end of their probationary Action should be taken to immediately confirm the service of officers who passed the Efficiency Bar examination. It has been informed that some of the Development Officers of the District Secretariat and the Divisional Secretariats passed the Efficiency Bar examination, and the Director General of Combined Service was requested to confirm their service whilst deficiencies in the files of

period as at 31 December 2019 without being confirmed in service. Furthermore, 169 more officers of the District Secretariat and 17 Divisional Secretariats who had passed the Efficiency Bar examination after their probationary period, were in service for a period ranging from 1 year and 6 months to 3 years as at 31 December 2019 after passing the Efficiency Bar examination; however, action was not taken to confirm their service.

some other officers were being corrected.