

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the District Secretariat, Badulla for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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, Badulla was issued to the Accounting Officers on 22 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the District Secretariat was issued to the Accounting Officer on 29 April 2021 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial give a true and fair view of the financial position of the District Secretariat, Badulla as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in the Paragraph 1.6 of this report. 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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for 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, Badulla 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.

In terms of Sub-section 38 (1) (d) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the District Secretariat, Badulla 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, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal and Regulatory Requirements

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

- (a) The financial statements presented by the Badulla District Secretariat for the year under review were consistent with the preceding year.
- (b) The recommendations made by me with regard to the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

(a) Receipt of Treasury Imprests

Audit Observation	Comment of Accounting Officer	Recommendation
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Although imprest received from the Treasury amounted to Rs.4,674,517,962 according to the consolidated trial balance of the Department, it had been stated as Rs.4,669,060,143 in the statement of financial performance and cash flow statements. Accordingly, a difference of Rs.5,457,819 was observed.	Even though funds received from the Treasury were distributed among the Divisional Secretariats to grant Covid relief, due to not spending that money for the relevant purpose, Divisional Secretariats had resettled that money to the District Secretariat. As a result of double counting occurred on that occasion, it had been stated as the imprests received in twice. It was corrected by stating as resettlement carried out in June and September.	Accounts should be prepared correctly.

(b) Recurrent Expenditure

The following observations are made.

Audit Observation	Comment of Accounting Officer	Recommendation
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(i) Summary of expenditure (ACA 2(II)) as per the programmes and value of Rs. 7,902,961 of subsidy, grants and transfers according to the Treasury printouts (SA 10), had been stated under the other goods and service expenditure in the statement of financial performance in the financial statements presented for the year under review.	Value of subsidy, grants and transfers amounting to Rs.7,902,961.00 has been included in the value stated under the other goods and service in the statement of financial performance.	Financial statements should be presented according to the relevant format.
(ii) Although expenditure on other goods and services was Rs. 83,512,297 according to the summary of expenditure (ACA 2(II)) as per the programmes and according to the Treasury printouts (SA 10), it had been stated as Rs.92,715,258 in the statement of financial performance by adding Rs.9,202,961 comprising Rs.7,902,961 as subsidy, grants and transfers and Rs.1,300,000 as other recurrent expenditure to that value.	The value of other goods and services item in the statement of financial performance included the sums totaling Rs.92,715,258.00 comprising the value of subsidy, grants and transfers amounting to Rs.7,902,961.00 and other recurrent expenditure amounting to Rs.1,300,000.00.	Financial statements should be presented according to the relevant format.

1.6.2. Statement of Financial Position

Non-financial Assets

Audit Observation	Comment of Accounting Officer	Recommendation
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Although value of Property, Plant and Equipment was Rs.2,576,254,526 as per the financial statements, it was Rs.2,575,116,898 according to the Treasury printouts SA-82. Accordingly, a difference of Rs.1,137,628 was observed.	This is a computer error and the Treasury has removed several items due to an account error. It is further informed that it is a change made by the Treasury to balance it on 31.12.2021 and we have not made any changes in that regard.	Accounts should be prepared correctly.

1.6.3. Cash flow statement

Cash flow generated from operating activities

Audit Observation	Comment of Accounting Officer	Recommendation
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Subsidy, grants and transfers of Rs. 7,902,961 stated as per the consolidated trial balance of the Department had been stated under the personal emoluments and operating expenditure in the cash flow statements.	The amount of subsidy transfers amounting to Rs. 7,902,961.00 includes personal emoluments and operating expenditure of Rs. 818,206,210.00. As a result, there is no change in the cash flow spent on operating activities.	Financial statements should be presented according to the relevant format.

1.6.4 Non-maintenance of Registers and Books

Audit Observation	Comment of Accounting Officer	Recommendation
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Inventory of Electrical Fittings		

An Inventory of Electrical Fittings had not been prepared according to Financial Regulation 454 (2).	Relevant inventory had not been maintained in the preceding years and it is being prepared at present.	Inventories of all Electrical Fittings, apparatus etc, in Government Buildings, should be prepared and maintained by the respective department as stated in F.R. 454 (2).

2. Financial Review

2.1. Non-compliance with Laws, Rules and Regulations

Instances of Non-compliance with Laws, Rules and Regulations observed at the sampling audit tests are analyzed below

	Observation -----	Comment of Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations -----	Non-compliance -----	-----	-----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
(i) Financial Regulation 396 (d)	Action had not been taken according to the Financial Regulations regarding 02 cheques worth Rs. 399,950 which had not been presented to the bank for encashing despite elapse of 06 months from their issuance.	Not replied.	Action should be taken in accordance with Financial Regulation 396.

(ii) Financial Regulation 571(3)	Action had not been taken according to the Financial Regulations in respect of 03 deposits worth Rs. 221,412 which had lapsed over a period from 02 to 04 years from their dates of deposits.	Deposits belonging to the Mahiyanganaya Divisional Secretariat cannot be released until the completion of the activities of a relevant audit query. There are audit queries regarding the deposits worth Rs. 174,757.26 belonging to the Welimada Divisional Secretariat. Matters on deposits worth Rs. 46,655.49 has been referred to the Planning Division for approval to make the relevant payments.	Lapsed deposits should be disposed of.
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(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka

(i) Sections 5.2 and 5.3 of Chapter XIX	Although rent should be recovered as a percentage of the salary of the officer residing in a government quarters or the salary of the officer who owns the scheduled government quarters, no salary increments and salary conversions of the officer had been taken into account when charging rent relating to 11 quarters during the year under review.	Hose rents were computed and relevant institutions were informed thereon. Action will be taken to recover the same in installements.	House rent should be recovered in accordance with provisions in Chapter XIX of the Establishments Code.
(ii) XIX Section 5.6 of Chapter	Approval of the Secretary had not been obtained to recover the economic rent of a government quarters belonging to the Meegahakiula Divisional Secretariat.	Approval of the Secretary will be obtained and evidence will be presented to the Audit.	Approval of the Secretary should be obtained to recover the economic rent.

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| (iii)Section 5.7 of Chapter XIX | When the officer refused to reside in a house entitled to a post, the amount of Rs. 267,639 which is the higher amount either from the rental to be paid by the officer entitled to the house or the rental to be paid by the officer residing in the house had not been recovered. | Action will be taken to recover the dues from the residents. | Hose rents should be recovered in terms of provisions of the Establishments Code. |
| (iv)Sections 1.6 and 4 of Chapter XXIV | Loan balances of Rs.196,701 continued to exist for more than 05 years relating to 04 officers / employees who had retired or been interdicted from the service of the Badulla District Secretariat and the Divisional Secretariats under it had not been recovered in accordance with Sections 1.6 and 4 of Chapter XXIV of the Establishments Code. | Action is being taken to recover the outstanding loan balances. | Action should be taken to recover the outstanding loan balances in terms of provisions of the Establishments Code. |
| (c) Paragraph 3.2 of the National Budget Circular No. 118 of 11 October 2004 of the Director General of National Budget | If an officer is transferred to a Provincial Council, action should be taken to recover the relevant loan from that Provincial Council at once and otherwise, action should be taken to recover it in monthly installments. Nevertheless, the loan balances of Rs. 653,965 which had continued to exist for more than 05 years from 10 officers who had been transferred to the Provincial Council Institutions had not been recovered even 31 December 2020. | The Uva Provincial Council has been informed to settle the loan balances. But no action was taken at least to settle the balances in installments. | Action should be taken in accordance with Circular provisions. |

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| (d) | Public Administration Circular No. 30/2016 dated 29 December 2016. | No fuel consumption test had been carried out of a vehicle belonging to the Meegahakiwula Divisional Secretariat. | Fuel consumption of one Cab was tested and the other Cab was not tested for fuel consumption. | Fuel consumption of the official vehicles should be tested. |
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2.2 Issuance and Settlement of Advances

Audit Observation	Comment of Accounting Officer	Recommendation
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Due to erroneous debits and erroneous credits made by various institutions, there stated a recoverable loan balance of Rs. 321,377 and a payable loan balance of Rs. 12,035 as on 31 December 2020. Although a period from 03 to 05 years has elapsed since the recognition of those errors, no action had been taken to rectify the accounts.	Out of these loan balances, only Rs. 80,300 had not been settled for a period of 05 years.	Accounts should be correctly prepared.

2.3 Operating Bank Accounts

Audit Observation	Comment of Accounting Officer	Recommendation
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Sixty-six cheques worth Rs. 57,016,464 issued by the Haldummulla Divisional Secretariat and Uva Paranagama Divisional Secretariat up to 31 December 2020 had been retained in the office even by 16 February 2021 without being handed over to the payees in terms of F.R.388 and 389. Further, validity period of 30 days from the date of their issueance had expired.	Not replied.	Action should be taken to hand over the cheques to relevant payees as per the F.R.389.

3. Operating Review

3.1 Performance

Abandonment of Projects Without Completion

The following observations are made.

Audit Observation	Comment of Accounting Officer	Recommendation
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<p>(a) For the construction of the Marangahawela Clinic Center under the <i>Palath Neguma</i> Development Programme 2014 of the Ministry of Economic Development, Haldummulla Divisional Secretary had entered into an agreement worth Rs. 1,983,794 on 27 August 2014 . The uncompleted building was handed over to the Haldummulla Medical Officer of Health on 21 March 2017 and a sum of Rs. 1,954,000 had been spent for its construction by 31 December of the year under review. This building remained idle even as at the date of audit on 23 February 2021 and the following matters were observed during the physical inspection of the building.</p> <ul style="list-style-type: none">I. The building remained unsafe and no access road had been constructed.II. The floor, ceiling and exterior plaster had not been finished.III. Water, electricity and toilet facilities had not been provided.IV. Doors and windows in the building had been damaged and were observed to have been used for abusive purposes.	Not replied.	Action should be taken to use the building by completing its works.

- (b) For the construction of the Ussella Clinic Center under the *Palath Neguma* Development Program 2014 of the Ministry of Economic Development, Haldummulla Divisional Secretary had entered into an agreement worth Rs. 1,999,998 on 20 August 2014. A sum of Rs. 1,773,300 had been spent on construction as at December 31 of the year under review and the building had not been handed over to the Director of Health Services. The building had not been used for clinical purposes even as of the audit date on 23 February 2021 and the ceiling of the building had not been repaired. Further, water, electricity and sanitation facilities were also not provided.
- Not replied.
- Action should be taken to use the building by completing its works.

3.2 Projects Completed Using Local Funds

The following observations are made

Audit Observation	Comment	of	Recommendation
-----	Accounting Officer	-----	-----

(a) **Supply of water to Hopton B Division in Lunugala - Ministry of Economic Development**

<p>On 12 October 2017, the Divisional Secretary of Lunugala had entered into an agreement with a private contractor for the above project at a cost of Rs. 2,661,859 under the provisions of the Ministry of Economic Development. Even though the work on the project was scheduled to be completed on 12 December 2017, the construction contract was extended on 05 occasions until 12 December 2019 at the request of the contractor. Despite being paid</p>	<p>It has been decided to recover the loss of Rs. 133,093.00 caused to the Government through a development project carried out by the relevant contractor at the Welimada Divisional Secretariat. Welimada Divisional Secretary was informed to pay the relevant</p>	<p>Construction projects should be regularly monitored and validity of the securities should be extended.</p>
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Rs.906,558 to the contractor as at 31 December of the year under review, the contractor had abandoned the work on the project. The contractor had released the guarantee due to not extending the validity of the performance security and the government could not recover a sum of Rs. 133,093 which could have been recovered.

amount to the District Secretariat and the cheque will be credited to the government revenue as soon as the receipt of the relevant cheque.

(b) Cash balances in project accounts

Forty eight Grama Shakthi Janatha Societies covering 15 Divisional Secretariat Divisions in the Badulla District were given Rs. 48,000,000 in 2018 and 2019 at Rs. 1,000,000 each for various projects. Nevertheless, a sum of Rs. 38,151,040 of that amount had not been used for projects even as at 25 February 2021 and had been retained idle in bank accounts.

Since Grama Shakthi Projects should be supervised and followed up. Since Grama Shakthi Janatha Societies have been registered as companies, they operate as separate entities. Due to the lack of interest of the Grama Shakthi Janatha societies officials in the implementation of the projects, money in the bank accounts remained unspent.

3.3 Losses and Damages

The following observations are made.

Audit Observation -----	Comment of Accounting Officer -----	Recommendation -----
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(a) Losses and Damages

A vehicle belonging to the Rideemaliyadda Divisional Secretariat had met with an accident on 29 July 2017 causing a damage of Rs. 6,349,333 and Rs. 2,500,000 paid 25 June 2020 thereon by the insurance company had been retained in the general deposit account. The

According to the final inspection report under F.R.104 (4), after assessing the damage with a maximum liability of Rs. 3,060,000, the assessment amount given by the insurance company is Rs. 2,500,000.

Action should be taken according to the report of the Board of Inquiry with regard to the damage.

vehicle had not been repaired even by 10 February 2020 and had been parked idle in the District Secretariat vehicle park for about 3 1/2 years after the accident. According to the report of the Board of Inquiry into the accident as per F.R. 104 (4), the amount not paid by the insurance company had not been recovered from the relevant parties.

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| <p>(b) Although it has been a period of 2 to 22 years since 07 vehicles belonging to the Badulla District Secretariat and the Divisional Secretariat were involved in an accident, the value of the loss incurred amounting to Rs. 6,046,930 had not been recovered from the responsible parties or written off from the books under formal approval even by the end of the year under review.</p> | <p>All of these losses and damages are those that have been continued to exist from previous years without proper investigation.</p> | <p>Action should be taken according to the report of the Board of Inquiry with regard to these losses and damage.</p> |
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3.4 Management Weaknesses

The following observations are made.

Audit Observation -----	Comment of Accounting Officer -----	Recommendation -----
<p>(a) Even though the required number of quarters was 04 according to the number of officers in the posts entitled to 03 scheduled quarters in the District Secretariat, 06 scheduled quarters had been maintained.</p>	<p>Having conducted discussions, necessary steps are being taken and the audit will be informed in the future.</p>	<p>Action should be taken in accordance with provisions in Chapter XIX of the Establishments Code.</p>

- (b) The arrears of rental amounting to Rs. 244,667 due for a scheduled quarters had not been recovered even as at 31 December of the year under review. Outstanding rent of one quarters amounting to Rs.87,403 has been recovered and the outstanding rent of the other quarters amounting to Rs. 244,667 will be recovered in the future. Action should be taken in accordance with provisions in Chapter XIX of the Establishments Code.
- (c) The Badulla Divisional Secretary had issued a permit to the Trustee of the Rambukpotha Rajamaha Viharaya on 31 January 2020 to cut down a mahogany tree with the diameter of 19 feet 6 inch and height of 75 feet stood on the Mudunpita Godella land at Badulupitiya. The Badulla Municipal Council had submitted documents regarding ownership of the land belonging to the felled tree and the Divisional Secretary had not confirmed the absolute ownership of the land even up to 12 February 2021. Valuable mahogany pieces of wood that had been cut down remained decaying unsafely at the site. Not replied. Timber felling should be carried out according to the prescribed provisions and suitable action should be taken regarding the felled trees.

4. Good Governance

Internal Audit

Audit Observation -----	Comment of Accounting Officer -----	Recommendation -----
No internal audit had been implemented in 09 Divisional Secretariats for the year under review in terms of Section 40 of the National Audit Act No. 19 of 2018.	Due to the Covid 19 epidemic prevailed in the country, internal audits could be carried out in only 06 Divisional Secretariats.	An adequate internal audit should be carried out in terms of Section 49 of the National Audit Act No. 19 of 2018.

5. Human Resource Management

Audit Observation

Comment of Accounting Officer

Recommendation

The position of the approved and actual cadre of the District Secretariat, Badulla as at 31 December of the year under review is given below.

Since staff information is also published on the websites of the Ministry of Home Affairs and the Ministry of Public Administration on a monthly basis, that Ministry also has informed the Department of Management Services.

Vacancies in the approved cadre should be filled.

Category of services	Approved Cadre	Actual Cadre	No. of vacancies
Senior Level	57	41	16
Tertiary Level	48	28	20
Secondary Level	1170	1011	159
Primary Level	139	132	07
Total	1414	1212	202

Accordingly, 202 vacancies in the approved cadre had not been filled.