

Head 276 – Badulla District Secretariat- 2024

1. Financial Statements

1.1 Qualified Opinion

Head276 - The audit of the financial statements of Badulla District Secretariat for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance for the year then ended and cash flow statement 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 Officer on 22 May 2025 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 22 May 2025 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Badulla District Secretariat as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the basis of preparation of the financial statements set out in Note 1.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of matter - Basis of preparation of financial statements

The attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of the financial statements. The financial statements have been prepared for the use of the Treasury and Parliament of the Badulla District Secretariat in accordance with Government Financial Regulations 150 and 151 and Public Accounts Guideline No. 6/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Badulla District Secretariat, the Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

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

The Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Government Financial Regulations 150 and 151 and Public Accounts Guideline No. 6/2024 dated 16 December 2024 as amended on 21 February 2025 for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the District Secretariat is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the District Secretariat and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-revenue receipts

| | Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (i) | The total amount of Rs.363,000 earned on 02 occasions through asset disposal was not identified as cash flows generated from investing activities in the cash flow statement but was presented under cash flows generated from operating activities. | In the future, that income will be included in the cash flow statement under cash flows generated from investing activities. | A program should be implemented to prepare financial statements accurately. |
| (ii) | Although the total net provision received for the year under review as per the Treasury computer printout SA 10 is Rs.2,688,907,924, a difference of Rs.6,935,000 was observed as the total net provision from local funds was stated as Rs.2,681,972,924 in the summary of expenditure financing under the ACA-2(iv) programme. | Agreed. That the net provision in the Treasury computer printout is correct and will be corrected when preparing the next year's financial statements. | The difference between the balances should be identified and corrected. |

(b) Reconciliation Statement on the Advance Account for Public Officers

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| Although the total debits of the Government Officers' Advances "B" Account during the year were Rs.175,586,090 as per the Treasury computer printout SA-50, According to the Departmental Control Account Summary (Form – 05) submitted for audit,due to the balance being stated as Rs.176,020,858, a difference of Rs.434,768 was observed. | The necessary steps have been taken to resolve this discrepancy. | The difference between the balances should be identified and corrected. |

(c) Property, Plant and Equipment

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (i) Although the bill value of Rs.6,965,273related to the construction of the Mahiyanganaya Divisional Secretariat building should be accounted for under work in progress, the value of the building had been overstated by that amount due to being recorded under the building account in the statement of non-financial assets.. | That the value should have been included in the work in progress account, but has been inadvertently included in the building account. | Internal control systems should be established to ensure that transactions are properly accounted. |
| (ii) The engineering company had handed over the completion of the works related to the construction of the Mahiyanganaya Divisional Secretary's official residence to the District Secretary on 30 July 2020, and the Mahiyanganaya Divisional Secretary had been settled down in the official residence on 18 September 2020. Even though the work items mentioned in the estimate had been completed, the value of the official residence was stated as Rs.8,046,918 in the work in progress account as of the audit date | That the value will be included in the building account in the future. | Steps should be taken to transfer the relevant balance to the asset account and to implement a program to prevent such errors from occurring in the future. |

of 28 March 2025, resulting in the building account had been understated by that amount.

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| (iii) | The cost of the cab belonging to the Uvaparanagama Divisional Secretariat was not identified and accounted for under non-financial assets and it had been disposed to the Rs.327,000 during the year under review. | Agreed. The value of this property will be identified and included in the relevant documents. | A program should be introduced to properly identify and accurately account for assets. |
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(d) Imprest Balance

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| According to the financial statements, the imprest balance outstanding to the Treasury as of 31 December of the year under review was Rs.68,933,164. | Agreed. That the advance money of Rs.9,604,064 given to pay officials engaged in official duties during the 2024 parliamentary election, Rs.7,850 for Cigas data system corrections by the Ella Divisional Secretariat and the amount of Rs.59,321,250 returned by the Badulla Divisional Secretariat had been incorrectly accounted for in the Cigas system. | Steps should be taken to settle the imprest balance promptly. |

(e) Non-maintenance of Registers and Books

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (i) Fixed Assets Register | | |
| In accordance with paragraph 8.1 of the Public Accounts Guideline No. 2022/05 dated 13 December 2022, the asset records had not been prepared and updated through the Fixed Assets module in the Sigas program. | That has been updated. | The fixed asset register should be prepared in accordance with the provisions of the Public Accounts Guidelines. |

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| (ii) | A departmental appropriation (standard expenditure) ledger had not been maintained in accordance with Financial Regulation 447. | That the expenditure ledgers belonging to the regions will be updated in accordance with Financial Regulation 447 from the year 2025. | A departmental appropriation (standard expenditure) ledger in Common Form 138 should be maintained in accordance with Financial Regulation 447. |
| (iii) Register of Damages | | | |
| | Separate books had not been maintained to record losses, maintain details of losses in advance accounts and other losses in accordance with Financial Regulation 110. | That the document has been updated. | Records of damages should be maintained in accordance with the format prescribed under Financial Regulation 110. |

2. Report on Other Legal Requirements

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

- (a) The financial statements had been prepared in a manner consistent with the previous year.
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Expenses Management

| | Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (a) | It was observed that between 19 percent and 160 percent of the allocations made for 3 expenditure items had been transferred under Financial Regulation 66 due to the consideration was not given to economy and efficiency in preparing the estimates | That the transfer had to be made due to insufficient allocations under the relevant expenditure items. | Expenditure estimates for the coming year should be prepared based on more systematic and rational methods, and formal measures should be taken to ensure the full utilization of the allocated provisions. |

- (b) Out of the provisions of Rs.97,738,296 provided for the year under review in relation to 11 expenditure items, Rs.23,498,776 remained and it was observed that it ranged from 11 percent to 100 percent as a percentage of the net allocation received for each expenditure item. Provisions have been left over due to various practical circumstances that arose in the year 2024. - do -
- (c) It was observed that in the year under review, 11 percent to 100 percent of the total expenditure of 12 recurrent expenditure items and 39 percent to 95 percent of the total expenditure of 06 capital expenditure items had been spent in December. That the most of the projects and programs were implemented in the latter half of the year, and most of the relevant vouchers were received in December. A program should be developed to efficiently manage the expenditure process in accordance with plans.

3.2 Non-compliance with laws, Rules and Regulations

| Reference to Laws, Rules and Regulations | Observation | | Comment of the Accounting Officer | Recommendation |
|---|-------------|--|--|---|
| | Value | Non-compliance | | |
| | Rs. | | | |
| (a) The Establishment Code of the Democratic Socialist Republic of Sri Lanka Section 4 of the Paragraph XXIV | 3,031,686 | The outstanding balances of loans from 01 year to more than 20 years due to 44 officers who had transferred, died, retired, were suspended and left the service had not been recovered as of 31 December of the year under review. | Although the Uva Provincial Council has been informed to settle the loan balances, that it has not been settled. | Officers who have not collected loans on time should be identified and dealt with in a proper manner, and prompt steps should be taken to recover the loan balances in accordance with the provisions of the Establishments Code. |

(b) Financial
Regulations of the
Democratic Socialist
Republic of Sri
Lanka
Financial Regulation
104

(i) If there is a delay of more than seven days in submitting a complete report regarding the loss and damages, a preliminary report should be obtained and action had not been taken in accordance with the regulations referred to in 02 cases of damage and loss.

Agreed. That the Meegahakivula Divisional Secretariat has been informed to submit the initial report and an investigation board has been appointed and investigations are underway regarding the other damage.

Action should be taken against officers who have not prepared reports and the preliminary report should be prepared promptly in accordance with financial regulations.

1,629,690 (ii) Action had not been taken in accordance with the relevant regulations regarding 6 cases of loss and damages that had occurred a long time after the accident.

That the further action will be taken after receiving the report of the Board of Inquiry in accordance with Section 104(4) of the Financial Regulation regarding 2 cases of loss and damages, that the responsible parties have been notified to make payments in relation to 02 more loss and damages, that the approval has been received to write off one loss and damage and that

Formal action should be taken against officers who did not act in a timely manner and formal action should be taken to recover the loss from the relevant parties in accordance with the provisions of the Financial Regulations Code.

the advice has been sought from the Ministry of Home Affairs regarding the other loss.

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| 3,849,333 | (iii) | The cab belonging to the Rideemaliyadda Divisional Secretariat had met with an accident on 29 July 2017, of which Rs.2,500,000 had been reimbursed by insurance out of the total loss of Rs.6,349,333. The losses not reimbursed by insurance had not been recovered from the responsible parties. | That the reminder letters have been sent to the responsible officer to pay this amount. | Formal investigations should be conducted and the losses should be recovered from the relevant parties in accordance with the provisions of the Financial Regulations Code. |
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(c) Public Administration Circular

Public Administration Circular No. 30/2016 dated 29 December 2016

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| Fuel combustion tests had not been carried out in accordance with the circular referred to in respect of 05 vehicles in 04 Divisional Secretariats. | That the instructions have been given to conduct and report on fuel combustion tests promptly. | Fuel combustion tests of vehicles should be carried out in accordance with the provisions of the circular. |
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| (d) | Rule 139 of Code of Procedural Rules | 640,796 | Acting salaries had been paid to the Acting Accountant of the Uvaparanagama Divisional Secretariat from 09 October 2020 to 31 December of the year under review without cover approval as per Rule 139. | Agreed. That the necessary steps have been taken to obtain the relevant approval. | Action should be taken in accordance with the provisions of the Code of Procedural Rule, and action should be taken against officers who have received salaries without approval. |
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3.3 Informal Transactions

| | Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (a) | Although it has been announced that the distribution of materials and equipment representing political candidates and parties through government institutions should be stopped within the time limit declared for the Presidential Election in accordance with Section 4.2 of the Extraordinary Gazette No. 2394/56 dated 26 July 2024 and within the period declared for the General Election in accordance with Section 4.2 of the Extraordinary Gazette No. 2403/19 dated 25 September 2024, rice had been distributed to 33,232 beneficiaries in 07 Divisional Secretariats under the second phase of distribution and materials and equipment worth Rs.5,790,270 had been provided in 47 cases in 3 Divisional Secretariats under the decentralized budget program. | That the due to the lack of storage facilities at the Bandarawela Divisional Secretariat, the goods were distributed to the beneficiaries on the spot, and that the goods were distributed on 03 occasions at the Haputale and Uvaparanagama Divisional Secretariats. | Formal action should be taken regarding to the officers who have acted contrary to the law. |

4. Operating Review

4.1 Failure to Perform Duties

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (a) The Kandaketiya Divisional Secretariat had not been commenced work on 28 projects worth Rs.22,433,710 allocated under 02 programs as of 24 October 2024. | Agreed. That the work on 16 projects has been completed, while other projects could not be implemented due to factors such as not preparing estimates and not revising projects. | Action should be taken against officers who have not taken steps to complete projects as planned. |

4.2 Failure to Achieve the Expected Outcome

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (a) Although almost 3 years have passed since the project for the production of batik and handloom textiles and related ready-made garments, which was implemented in 2021 at a cost of Rs.5,944,977 under the Saubhagya Production Villages Program, by the Ella Divisional Secretariat, it was observed that the project was still in its initial stages as of the audit date of 09 September 2024. According to the project report, the objectives of creating tourist-oriented products and creating products targeted at export markets had not been achieved, and an action plan to achieve those objectives had not been prepared for the year 2024. It was observed that there was a risk of beneficiaries withdrawing from the project due to the beneficiaries not actively contributing to the project procurement of raw materials, quality of production, training needs and issues related to market identification. Due to this, The government had spent nearly Rs. 6 million on this project, but no return on investment had been achieved. | A detailed report about this will be submitted in the future. | A program should be prepared, implemented and followed up in a way that assigns responsibility to officers to continuously follow up, successfully implement the project, and achieve the desired benefits. |

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| (b) | Some work - Equipment worth Rs.494,550, which had been provided to 03 registered societies in the HaliEla Divisional Secretariat under the Regional Development Program, had not been used for the welfare of the relevant society, but had been taken and stored for personal use. | Due to insecurity, that the relevant items have been kept at the home of the treasurer of the Dilenatharu Rural Development Society. | Regular monitoring should be carried out and a program should be developed to ensure optimal utilization of the relevant equipment. |
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4.3 Delays in Fullfillment of Project

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (a) Although the Haputale Divisional Secretariat had commenced the resettlement of 65 families affected by the landslide in October 2019, the construction and the resettlement had not been completed until December 2024. | That the roofs of 07houses related to the housing project have been completed, and necessary steps are being taken to complete other works promptly. | Resettlement efforts in areas at risk of landslides should be expedited. |
| (b) The Uvaparanagama Divisional Secretariat had been paid Rs.10,475,000in installments to 07 disaster-affected beneficiaries under the Disaster Victim Resettlement Program, but the resettlement activities had not been completed. Due to this, it was observed that attention should be paid to freeing the victims from insecurity through constant follow-up, proper monitoring and expeditious completion of resettlement activities. | Out of the money paid to 07 beneficiaries for house damages by now, 6 are successfully working and that the necessary further action will be taken to recover the amount of Rs.200,000 paid to one person who has been identified as a useless payment or to motivate the beneficiary to construct houses. | Formal action should be taken against officials who did not carry out resettlement activities in a timely manner, and the resettlement of people in areas at risk of landslides should be expedited. |

4.4 Assets Management

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|---|--|---|
| (a) Out of the textile painting equipment purchased at a cost of Rs.1,481,712, 33 pieces of equipment had been remained unused and underutilized due to the failure of the Ella Divisional Secretariat to effectively | Five beneficiary groups are engaged in textile printing activities, and arrangements are being made to provide water pumps to another Saubhagya Production | Action should be gtaken to formulate a program to ensure that project implementation and monitoring officers perform their duties properly and to |

plan and implement the project for the production of batik and handloom textiles and related ready-made garments under the Saubhagya Production Villages Program

Program. Identification is being made to provide overlock machines to beneficiaries in need or exchange them for Juki machines, and it is planned to refer beneficiaries back to the project in this year.

efficiently utilize the equipment of this project and achieve the desired goals of the project.

4.5 Losses and Damages

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (a) ough the Bandarawela Divisional Secretariat had been informed on 5 March 2024, that they were unable to pay the amount of Rs.384,575 that was to be recovered from heirs according to the report of the Board of Inquiry regarding the overpayment of a pension of Rs.384,575, the formal action had not been taken in this regard and the loss suffered by the government had not been recovered. | That the inability to recover from the heirs has been notified to the Pensions Department on 14 October 2024. | Action should be taken to conduct a formal investigation and take action if overpayments have occurred due to the negligence of officers, action should be taken to keep the pension data system up to date and to prevent overpayments and action should also be taken to recover overpayments in accordance with the relevant circular provisions. |
| (b) Eight years after a cab belonging to the Uvaparanagama Divisional Secretariat met with an accident, the related damage was estimated at Rs.500,000 on 15 May 2019 and according to the Financial Regulation 104(4) inspection report, the loss had not been recovered from the parties responsible for the accident as of 28 March 2025. | The loss will be recovered from the responsible persons as soon as the report of the Board of Inquiry is received under Financial Regulation 104 (4). | Formal action should be taken against the officials who delayed the assessment of damages for 8 years, and immediate action should be taken to recover the assessed damages related to the vehicle accident from the responsible parties. |

4.6 Management Inefficiencies

| Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (a) Regarding the Cabinet Memorandum No. 24/0645/601/038-01 dated 01 April 2024 entitled Distribution of Rice to Low-Income Families, instructions had been given to select suppliers by giving priority to suppliers who would be willing to purchase the rice stocks required by the Divisional Secretariat Division at that Divisional Secretariat level to implement the Cabinet decision dated 01 April 2024. The transportation cost of Rs.2,215,474 incurred for the additional 10,688 kilometers of rice transportation due to the selection of a supplier that did not comply with those requirements was observed as a loss incurred by the government. | Although 371 small and medium scale mill owners were informed on a Divisional Secretariat Division basis, 38.86% had to be procured from other districts due to only 21 people presented and the supply of rice was not sufficient. | A formal investigation should be conducted and steps should be taken to recover the losses incurred by the government. |
| (b) Although 12,970 beneficiaries were identified in the Ella Divisional Secretariat Division and Rs.24,308,650 had been paid to a private institution for the purchase and transportation of 12,970 bags of 10 kg rice under First phase of rice distribution program for low-income earners, according to the acceptance documents, the rice acceptance officers had accepted 12,700 bags of 10 kilogram. Accordingly, there was a difference of 270 bags of rice worth Rs.502,200 between the quantity of bags of rice purchased and the quantity of accepted. | The change was due to the omission of 270 bags of 10 kg rice to be included in the documents. | - do - |

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| (c) | Although the GramaNiladharis are required to inform the Divisional Secretary about the unauthorized encroachments in the division every fortnight through Form 60, in order to secure the ownership of government lands and prevent unauthorized encroachments, the fortnight reports of 08 GramaNiladhari Divisions of 02 Divisional Secretariats had not been submitted. | That the all GramaNiladharis have been informed in writing to submit fortnight reports regarding unauthorized seizures in the Mahiyanganaya Divisional Secretariat Division. | Formal action should be taken against officers who have not submitted reports on time, and steps should be taken to obtain formal fortnightly reports in the future. |
| (d) | The outstanding loan amounting to Rs.226,947,012 from the loans provided to 4,241 beneficiaries by 47 Samurdhi Banks belonging to 15 Divisional Secretariats in the Badulla District had not been recovered as of 31 December 2024. | It is being charged and that the officers have been informed to recover the bad debts of non-paying beneficiaries. | Formal action should be taken against officers who have not collected outstanding loans on time, and steps should be taken to promptly collect the relevant outstanding loans by acting in accordance with the agreements. |

5. Human Resource Management

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|---|---|---|
| (a) As of December 31, 2024, there were 79 vacancies in the approved staff of the Badulla District Secretariat and 15 Divisional Secretariats and the number of excess was 234. | The Ministry of Public Administration and Home Affairs has been informed to fill the vacant positions and that the excess staff was due to recruitment based on a government policy decision. | A staffing needs analysis should be conducted and an urgent program should be implemented to maintain the staff at an optimal level without vacancies and redundancy. |