

Sabaragamuwa Province - 2009

1. Financial Statements

1:1 Rendition of Financial Statements

(a) Provincial Council Fund Account

The Provincial Council Fund Account for the year under review has been presented for audit on 24 June 2010.

(b) Other Accounts

The progress on the presentation of the other accounts of the Provincial Council as at 30 June 2010 in relation to the year under review is given below.

		Relating to the Year 2009			
		Total	Number of	Number of	Number of
		Number of	Accounts	Accounts	Accounts not
		Accounts	Presented	not Presented	Presented in respect of the preceding year
		-----	-----	-----	-----
(i)	Appropriation Accounts	28	28	--	--
(ii)	Revenue Accounts	01	01	--	--
(iii)	Advances to Provincial Council Officers Accounts	25	23	02	01
(iv)	Commercial Advance Accounts	06	06	--	--
(v)	Fund Accounts	03	02	01	--
(vi)	Statutes Accounts	02	01	01	--
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		<u>65</u>	<u>61</u>	<u>04</u>	<u>01</u>

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sabaragamuwa Provincial Council had maintained proper accounting records for the year ended 31 December 2009 and except for the effects on the financial statements of the matters referred to in paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Sabaragamuwa Provincial Council as at 31 December 2009 and the financial results of its operations and cash flows for the year then ended.

1:3 Comments on Financial Statements / Comments on Transactions, Operations and Performance1:3:1 Accounting Deficiencies

		Income		Assets		Liabilities	
		Number	Value	Number	Value	Number	Value
		of		of		of	
		Instances		Instances		Instances	
			Rs.		Rs.		Rs.
(a)	Overstatements in the Accounts	02	94,139,238	16	1,282,429	15	7,536,347
(b)	Understatements in the Accounts	--	--	27	33,267,092	--	--
Total		<u>02</u>	<u>94,139,238</u>	<u>43</u>	<u>34,549,521</u>	<u>15</u>	<u>7,536,347</u>

1:3:2 Unreconciled Control Accounts

The total of the balances according to the control accounts in relation to 06 items of accounts amounted to Rs.41,172,249 where as the total of the balances of accounts according to the subsidiary records / reports amounted to Rs.45,233,065.

1:3:3 Bank Reconciliations

The following matters were observed.

- (a) Enquiries had not been made from the Bank and follow-up actions had not been taken in respect of cheques valued at Rs.42,045,800 issued, but not presented for payments for over a period of 06 months.
- (b) Action had not been taken in terms of Financial Regulations in respect of 29 dishonoured cheques valued at Rs.2,505,134.
- (c) Unidentified debits relating to 07 bank accounts amounted to Rs.142,390 and unidentified credits relating to 12 bank accounts amounted to Rs.2,484,872.

1:3:4 Imprest Accounts

There were unsettled imprest debit balances amounting to Rs.19,973,528 and imprest credit balances amounting to Rs.3,770,033 as at 31 December 2009.

1:3:5 General Deposits Accounts

The value of general deposits that remained for over 02 years as at 31 December 2009 on which action that could have been taken in terms of Financial Regulation 571, had not been taken totalled Rs.26,260,358.

1:3:6 Lack of Evidence for Audit

(a) Unanswered Audit Queries

Replies had not been submitted for 58 audit queries as at 31 December 2009 and the quantifiable value of transactions referred to in those audit queries was Rs.21,011,441.

(b) Non – rendition of Information to Audit

Transactions totaling Rs.404,473 could not be satisfactorily vouched in audit due to non – rendition of required information to audit.

1:3:7 Non-compliances

The following non-compliances with the provisions of laws, rules, regulations and the management decisions were observed during the course of audit.

Reference to provisions of Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
(a) Section 11 of the Provincial Council Act, No.42 of 1987	The Co-operative Employees Commission had not prepared the requisite rules and obtained the approval .
(b) Section 153(1) of Chapter XVII of the Inland Revenue Act, No.10 of 2006 as amended by Inland Revenue (Amendment) Act. No 9 of 2008.	Taxes totaling Rs.182,388 had not been deducted .
(c) Section 24 of the Pawn Ordinance No. 08 of 1893	The Pawning centers had not renewed the annual licenses.
(d) Financial Rules of the Sabaragamuwa Provincial Council 2000	
(i) Section 54.1	Required action had not been taken in respect of the loss of 02 mobile phones valued at Rs.40,300.
(ii) Section 261.2.2	Settlement of sub-imprest totaling Rs.247,827 given in 2 instances to 3 Ministries / Departments had been delayed. Sub-imprest totaling Rs.271,382 given in 17 instances had not been used for the intended purpose and settled after retaining them in hand.

- (iii) Section 471.1
Three mobile phones valued at Rs.37,230 issued to the Chief Minister and the Public Relation Officer had not been entered in the inventory registers.
- (iv) Section 476
Verification of goods had not been carried out at 327 schools of the Kegalle District for the years 2007, 2008 and 2009.
- (e) Circular No.CSA/P1/40 of 4 January 2006, 18 March 2006 and 01 November 2007 of the President of Sri Lanka on Office Expenses Management.
A sum of Rs.312,480 had been overpaid for fuel to the Minister of Health, Indigenous Medicine and Women Affairs and a sum of Rs.289,440 had been over paid for fuel to the Minister of Lands, Provincial Irrigation, Agriculture, Animal Productions and Animal Health , Environment and Fisheries.
- (f) Public Finance Circular No. PF/427 dated 18 December 2007 and the circular No. PF/437 dated 18 September 2009 of the Secretary to the Treasury.
A sum of Rs.338,989 had been paid to insure 5 vehicles with the Sri lanka Insurance Company and the Janashakthi Insurance Company.
- (g) Circular No. BD/PE/3/2000 dated 27 June 2000 of the Department of National Budget.
The approval of the Minister of Finance should be obtained for investment of surplus money. Contrary to this, a sum of Rs.12,191,011 had been invested in fixed deposits as at 31 December 2009.
- (h) Procurement Guidelines
- (i) Section 3:4:3(d)
Quotations had not been called for from registered suppliers for purchase of sports ware valued at Rs.91,557,930.
- (ii) Sections 3:6:1 (a) and (d)
Supply of security and cleaning services had been awarded to the same institution irregularly.

- (i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulations 104 and 105
Action had not been taken in respect of 150 cases of losses and damage occurred from 1991 to 2004.
- (j) Letter No.FC/ME/AFN/2009 dated 12 March 2009 of the Chairman of the Finance Commission.
List of activities expects to be carried out should be approved after the due date by the Chief Secretary and submitted to the Finance Commission before 30 September 2009. But 110 development activities totaling Rs.57,586,590 had been approved by the Chief Secretary after the due date.

2. Financial and Operating Review

According to the financial statements presented, there was a surplus of Rs.83,047,438 of the Provincial Council Fund for the year under review and the corresponding surplus for the preceding year was Rs.369,827,314.

2:1 Revenue and Expenditure

A Summary of revenue and expenditure for the year under review and the preceding year, according to the financial statements presented is given below.

<u>Income</u> <u>Relating to</u> <u>Items of the</u> <u>Provincial</u> <u>Council</u>	<u>Revenue</u>					
	<u>Budgeted</u>	<u>2009</u> <u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2008</u> <u>Actual</u>	<u>Variance</u>
	Rs.	Rs.	RS.	Rs.	Rs.	Rs.
Tax Revenue	1,465,400,000	1,146,644,488	318,755,512	833,560,000	1,012,847,196	179,287,196
Non-tax Revenue	313,600,000	273,053,142	40,546,858	217,170,000	250,020,396	32,850,396
Government Grants	12,011,491,184	10,193,813,607	1,817,677,577	11,643,249,000	9,603,761,030	(2,039,487,970)
Other (Foreign Aid)	-	197,924,953	(197,924,953)	200,000,000	227,103,250	27,103,250
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	<u>13,790,491,184</u>	<u>11,811,436,190</u>	<u>1,979,054,994</u>	<u>12,893,979,000</u>	<u>11,093,731,872</u>	<u>1,800,247,128</u>

	<u>Expenditure</u>					
<u>Recurrent</u>						
<u>Expenditure</u>						
Personal	8,624,003,000	8,233,926,088	390,076,912	8,384,840,230	7,769,386,108	615,454,122
Emoluments						
Others	<u>2,047,817,000</u>	<u>1,737,906,906</u>	<u>309,910,094</u>	<u>1,742,408,770</u>	<u>1,461,840,028</u>	<u>280,568,742</u>
Sub-total	<u>10,671,820,000</u>	<u>9,971,832,994</u>	<u>699,987,006</u>	<u>10,127,249,000</u>	<u>9,231,226,136</u>	<u>896,022,864</u>
Capital	2,674,339,000	1,756,555,758	917,783,242	2,622,000,000	1,492,678,423	1,129,321,581
Expenditure						
Grand total	<u>13,346,159,000</u>	<u>11,728,388,752</u>	<u>1,617,770,248</u>	<u>12,749,249,000</u>	<u>10,723,904,559</u>	<u>2,025,344,445</u>

The total expenditure for the year under review was Rs.11,728,388,752 and 85% of this was recurrent expenditure and 15 % was capital expenditure.

2:2 Revenue Administration

- (a) The particulars of revenue in arrears as at end of each year in respect of previous 03 years are shown bellow (of all the revenue Heads of Provincial Council)

	<u>As at 31 December</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Rs,	Rs,	Rs.
Tax Revenue	51,653,107	47,106,845	69,021,887
Non- tax Revenue	<u>3,392,773</u>	<u>3,453,429</u>	<u>2,712,540</u>
	<u>55,045,880</u>	<u>50,560,274</u>	<u>71,734,427</u>

- (b) Court fines amounting to Rs.64,947,451 received in relation to 24 Local Authorities from year 2003 to 2009 had not been remitted to the Local Authorities.
- (c) According to Section 12 of the Finance Statute No.06 of 1990 of Sabaragamuwa Provincial Council, a fine should be paid for delay in payments of taxes. An examination of 07 tax files revealed that action had not been taken to recover the fines totaling Rs.337,379 due to non-checking of the relevant files immediately after the recovery of taxes.

- (d) Nineteen court cases relating to tax in arrears and fines totaling Rs.1,295,184 carried forward since year 2006 had remained pending even by February 2010.
- (e) There were 7693 tax files with the Provincial Department of Revenue as at the date of audit examination. Due to lack of regular checking the Department was unable to collect taxes in relation to 2045 tax files as the respective businesses had been closed down. It was observed in audit that no proper procedure had been adopted in respect of these files.
- (f) According to Section 11 of the Sabaragamuwa Province Finance Statute No. 06 of 1990, the Turnover Tax relating to any quarter should be paid before the 15th day of the month following after the completion of the said quarter. Contrary to this, taxes had not been paid from 1996 to 2008 in relation to 08 tax files.
- (g) The taxes in arrears and the fines as at 31 December 2009 was Rs.13,950,655 in respect of lands to the extent of 6,809 hectares leased out by 7 Divisional Secretariats in Kegalle district.

2:3 Expenditure incurred in Excess of the Approved Provision

Expenditure amounting to Rs.38,068,968 had been incurred in excess of the provisions approved by the Provincial Council under Programmes, Projects and Objects (excluding 1001 – 1003 Personal Emoluments) without proper authority, contrary to the requirement of the Financial Regulation 69 of the Republic of Sri Lanka and the requirement of the Financial Rule 33 of the Sabaragamuwa Provincial Council.

2:4 Non-compliance with the Limits on Advance Accounts

The maximum limit of expenditure had been exceeded by Rs.43,291 in one Advance Account, the maximum limit of debit balance had been exceeded by Rs. 5,742,404 in 04 Advance Accounts and the maximum limit of receipts had been reduced by Rs.9,923,671 in 07 Advance Accounts, contrary to the requirements in Financial Regulation 503 of the Republic of Sri Lanka and the Financial Rule 367 of the Provincial Council.

2:5 Working Losses

Working Losses had been reported continuously in 03 Commercial Advance Accounts over the last 03 years and the working losses for the year under review amounted to Rs.28,428,851. Action in terms of Financial Regulation 513 had not been taken to cover the said working losses. Attention had not been made by the management to the economic and social justification for the continuance of advance accounts under loss making conditions.

2:6 Human Resources Management2:6:1 Approved and Actual Cadre

The particulars relating to the approved cadre and the actual cadre of the Sabaragamuwa Provincial Council as at 31 December 2009 are shown below.

(a) Ministries, Departments and Institutions of the Provincial Council

	<u>Approved</u>	<u>Actual</u>
Staff Grades	952	756
Subordinate Grades	3428	2571
Minor Grades	2126	1676
Others (Casual and Temporary)	<u>38</u>	<u>73</u>
	<u>6544</u>	<u>5076</u>

	<u>Approved</u>	<u>Actual</u>
(b) Schools Staff		

Principals	975	638
Teachers	17256	17182
Minor Grades	873	443
Others (Casual / Temporary)	<u>55</u>	<u>180</u>
	<u>19159</u>	<u>18443</u>

The following observations are made in this connection.

- (i) Three officers in the Teachers Service and Principals Service that had been appointed to cover the duties had been appointed as Directors of Education of Embilipitiya, Godakawela and Kollonna Divisions despite that there were 07 officers who had passed the Sri Lanka Education Administrative Service Examination and had completed other required qualifications.
- (ii) There was not a single teacher for the subject of English for grades 3 to 5 in 72 schools. Further, there were 03 teacher vacancies in 03 schools, 31 teacher vacancies for the subject of English for grades 6 to 11 in 31 schools and 14 excess teachers in 11 schools.
- (iii) According to the Circular No. 2007 /20 dated 13 December 2007 of the Ministry of Education and the Sri Lanka Teachers Service Minute, the maximum period can be served in a school specified or a school categorized as facility schools by a permanent committee is 08 years. But, contrary to this, 142 teachers of Nivithigala Zone had served in the same school for periods ranging 09 to 27 years in excess of the relevant period and 673 teachers of Balangoda Zone had served in the same school for periods ranging 09 to 30 years in excess of the relevant period. Actions had not been taken to transfer them even up to 4 December 2009, the date of audit examination.

2:7 Assets Management

The following observations are made.

2:7:1 Idle and Underutilized Physical Resources

Sample audit examinations revealed that physical resources were idling and underutilized as follows.

	<u>Type of the Asset</u>	<u>Number / Area</u>	<u>Value</u>	<u>Period Idling</u>
			Rs	Years
(a)	Buildings	06	8,514,385	03
(b)	Vehicles	09	33,100,000	03
(c)	Machinery	39	Not Ascertainable	03
(d)	Office Equipment	503	9,434,385	03
(e)	Others	212	111,877	03

2:7:2 Assets not Verified

Verification of goods had not been carried out for the year under review in respect of 02 Ministries / Departments of the Provincial Council in terms of Financial Regulation 756.

2:7:3 Accounts Receivable

The value of the balances of accounts receivable as at 31 December 2009 was Rs.19,367,275 and the total of balances over 01 year amounted to Rs.12,260,143.

2:7:4 Unsettled Advances

The unsettled advances as at 31 December 2009 amounted to Rs.19,075,389 and the total of balances over 01 year amounted to Rs.14,389,941.

2:7:5 Employees' Loans Recoverable

The total of employees' loan balances recoverable as at 31 December 2009 amounted to Rs.99,703,751 and the total of balances due for over 01 year amounted to Rs.17,926,984.

2:8 Vehicle Utilization

According to the Circulars dated 04 January 2006, 23 October 2006 and 19 November 2007 of the President of Sri Lanka and the letter dated 02 September 2009 of the Director General of the Ministry of Finance and Planning addressed to the Chief Minister of Sabaragamuwa Province, the Chief Minister is entitled only for 03 vehicles including ascot vehicle, 03 drivers and monthly consumption of 1700 litres of fuel (Diesel). Although all those expenses had been paid to the Chief Minister from the Votes of the Chief Ministry, the van bearing No.63-4247 which is in the custody of the Provincial Ministry of Education had been released for use of the Chief Minister with effect from 05 May 2008 and since then up to 20 January 2009, a sum of Rs.334,367 had been paid out of the Vote of the Provincial Department of Education for fuel and tyres. The running charts of this vehicle had not been submitted for audit after 20 January 2009.

2.9 Identified Losses and Damage

According to the Information records maintained at the institutions and sample audit checks, losses and damages to the value of Rs.263,021 had been revealed.

2:10 Apparent Fraudulent Transactions

The following observations are made.

- (a) Overpayments totaling Rs.24,200 had been made to a number of participants more than the number participated according to the attendance register maintained at the Embilipitiya Teachers Center in respect of 04 sessions of inservice training held at that center.
- (b) A sum of Rs.173,038 had been spent for filling fuel to a vehicle during the period January to 30 October 2009. Fuel purchased totaling Rs.75,886 during the months January , April and July were reconciled with the respective running charts as a sample and it was observed that 311.16 litres of fuel valued at Rs.22,108 had not been include in the running charts. Hence it is observed that bogus fuel bills had been submitted without filling fuel to the vehicle.
- (c) Although the provincial Minister of Agriculture was using 02 vehicles bearing No.KH 3881 and JK 2044 , fuel allowance amounting to Rs.428,100 had been obtained during the period January to December 2009 for the vehicle bearing No 32-4179 which is used by the Co-ordinating Secretary to the Minister indicating that the said vehicle is being used as the ascot vehicle.

2:11 Uneconomic Transactions

The followings observations are made.

- (a) An expenditure of Rs.89,581 had been incurred for the constriction of the Delgoda Elawalla bridge on direct labour basis and subsequently , tenders had been called for, for construction of the bridge on contract basis. Hence , the said expenditure was observed as a fruitless expenditure.

- (b) While allowances had been paid to the participants, a sum of Rs.121,025 had been paid for supply of lunch for 12 sessions.
- (c) Even though , there is a fully equipped office in Rathnapura with 46 items of machinery and furniture in the Sabaragamuwa Provincial Council for the Minister of Lands, Provincial Irrigation, Agriculture, Animal Production and Animal Health, Environment and Fisheries; same type of machinery, furniture and computer accessories had been purchased at an expense of Rs.1,382,714 for keeping a sub-office in Kegalle.
- (d) The construction of a changing room and car park at the New Town Stadium had been abandoned on the instructions given by letter dated 12 February 2008 by the Ministry of Sports, Youth Affairs, Women Affairs , Fisheries, Rural Industries, Rural Development , Housing Constructions and advance payments amounting to Rs.114,137 and part payments amounting to Rs.14,303 had been made for this construction as at that date.

2:12 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) The same employee had been appointed on contract basis since year 2001 for the post of sanitary labourer which is not a post in the approved cadre of the Provincial Department of Revenue . A request had been made to the Department of Management Service by letter dated 07 October 2005 to get the permanent and the request had been rejected by the Director General of Management Services by his letter No.DMS/PC and LG/6/ (iv) dated 18 October 2005 and had instructed to obtain the above service from private sector. However, the service of the same person had been continued to be obtained and allowances totaling Rs.420,293 had been paid to him up to December 2009.
- (b) A permanent driver of the Education Department had been released for the Chief Minister from October 2008 to May 2009 and salaries and wages amounting to Rs137,840 had been paid to him. A driver had been recruited on contract basis from June 2009 and payments amounting to Rs.84,850 had been made to him since then up to the date by audit examination 30 October 2009.

- (c) According to Section 3.4 of the President's Circular No.CSA/P1/40 dated 04 January 2006, Chief Minister is entitled for 02 office telephones. Nevertheless 03 telephones had been used and due to this, telephone expenses had been incurred more by Rs.35,315 . Although the monthly limits for the 02 residential telephones and the mobile phone is Rs.10,000 and Rs.4,000 respectively, a sum of Rs.434,953 and Rs.171,400 respectively, had been paid in excess of the relevant limits during the year 2009.

2:13 Irregular Transactions

The following observations are made.

- (a) The Chief Secretary had approved on 16 May 2005 to recover Rs.1,200 per month as electricity chargers from the Agency Post Office. But , this had been included in the agreement entered into with the Agency Post Office (Nimali Agency) as "Rs.1,200 per year". Therefore a sum of Rs.33,000 had been recovered less for the period 30 May 2007 to 30 May 2009.
- (b) A loan up to a maximum limit of Rs.250,000 is given to members of the Provincial Council under Provincial Councils and Local Government Circular No. Finance 01/2001 to purchase office equipment including a computer. This maximum limit had been increased up to Rs.500,000 by the Cabinet Paper No.2008/59 dated 08 October 2008 and loans had been obtained accordingly . Nevertheless 44 computers valued at Rs.5,236,000 had been purchased for 44 members out of the Provincial Council Funds.
- (c) According to the Circular No.CSA/P1/40 on Office Expenses Management issued by the President on 04 January 2006, the monthly limit of total official telephone expenses of the Chairman of a Provincial Council is Rs.17,000. This monthly limited total official telephone expenses had been revised up to Rs.40,000 by Secretary to the Governors letter No.10/4/3/73(II) dated 17 June 2009 and based on the above letter, allowances amounting to Rs.40,000 and Rs.30,000 respectively are paid to the Chairman and the Vice Chairman monthly for official telephone with effect from 01 July 2009. Official telephone expenses of the chairmen and vice chairman amounting to Rs.79,035 and Rs.12,951 respectively had been paid by the Council Secretary's office up to December 2009.

- (d) At the procurement evaluation for assigning cleaning services of the Base Hospitals at Balangoda, Warakapola and Kahawatha for the year 2009/2010 to private sector, the maximum salary including the over time had been taken into consideration, instead of considering the laws and rules of the Department of Labour and the minimum salary in terms of the revised Wages Control Board Ordinance, that should be implemented with effect from July 2008. Due to this lowest bid had been rejected and the tender had been awarded for a higher bid, therefore Department of Health had to pay a sum of Rs.250,570 more for the year under review.
- (e) At the procurement evaluation for assigning security service of 02 offices and 11 hospitals of the Sabaragamuwa Provincial Departments of Health to Private Sector, the maximum salary including the over time had been taken into consideration, instead of considering the laws and rules of the Department of Labour and the minimum salary in terms of the revised Wages Control Board Ordinance, that should be implemented with effect from July 2008. Hence, the lowest bid had been rejected and the tender had been awarded for a higher bid and therefore, the Health Department had to pay a sum of Rs.2,381,616 more for a year. Although the hospital authority had complained to the responsible officers about the institutions which this service had been assigned accused in year 2008, the service contract had been awarded to the same institution for the year 2009 too. Although there were complaints during the year 2009 also, procedural action whatsoever had not been taken on these complaints by the officers responsible.
- (f) Orders had been passed with Uniwalkers Ltd. for 02 Nos. of Panasonic KXF 937 fax machines at Rs.15,900 per unit and in the mean time KXFT 983 fax machines of which the price is less by Rs.2,000 per unit than the above had been purchased and payments had been made at the price at Panasonic KXF 937. Therefore a sum of Rs.16,000 had been over paid on this purchase.
- (g) According to Circular No. CM/AD/7/1/7 dated 19 June 2003, in all the cases where subject Directors are available, conducting, organizing and directing the relevant session should be carried out by him. Further, according to Section 12.7 of Chapter VII of the Establishments Code, only the allowances entitled to his post should be paid to an officer. Contrary to this, a sum of Rs.116,000 had been paid as respective allowances to Assistant Directors who engage in covering up duties.

- (h) Officers who had not completed the required qualifications in terms of Section 13 of Chapter II of the Establishments Code had been appointed to cover the duties. Although allowances entitled to the permanent post should be paid in terms of Section 12.7 of Chapter VII, commuted traveling allowances of Rs.2,400 entitled to the post of Assistant Director post had been paid in contrary to the above requirement. Due to this, a sum aggregating Rs.168,000 had been over paid for the period January to October 2009.
- (i) Agreement had been signed with a private institution for carrying out sanitary services of the office of the Provincial Commissioner of Ayurwada only for the period from 26 June to December 2009. Nevertheless, a sum of Rs.299,511 had been paid to the said institution for the period from 01 April to 26 June 2009 without an authority.
- (j) A sum of Rs.311,746 had been spent for spare parts for the 02 cabs of the Ministry of Agriculture. But, the parts removed from the vehicles had not been handed over.
- (k) According to Financial Rule 85.3, in approving payment vouchers, it should be satisfied as to whether the rates are fair and justify. Despite this requirement, a sum of Rs.114,000 had been over paid for 05 months by stating that additional petrol had been consumed, even though diesel vehicle could have been used from August.
- (l) While the petrol vehicle bearing No.JK-2044 used by the Minister of Agriculture was being under repairs, the diesel vehicle bearing No.PB-6047 had been used instead during May and June 2009. Although 400 litres per month could have been obtained for diesel vehicle, a sum of Rs.25,000 for the month of May and a sum of Rs.14,620 for the months of June and July had been obtained in addition to the 400 litres of diesel as arrears. Therefore a total sum of Rs.39,620 had been obtained in excess of the limit.
- (m) According to paragraph 04 of the agreement in the case of a failure of the contractor to complete the work on the specified date without acceptable and appropriate reasons, 0.1% of the contract amount should be recovered as fines for every week of delay. Fine amounting to a Rs.488,016 that should be recovered in terms of the above requirement had not been recovered. Instead, a new agreement had been signed on 02 September 2008 after submitting the final bill on 27 August 2008 and according to the new agreement the work should be completed and handed over by 02 November 2008. However, action had not been taken to recover the advance of Rs.229,125 remained unsettled while making payment for the final bill amounting to Rs.981,582.

- (n) Embilipitiya Zonal Education Office had conducted 27 in-service training sessions from May to 30 November 2009 and a sum totaling Rs.421,251 had been spent for the above sessions from the funds provided by the Central Government under the World Bank Credit Assistance. Allowances to participants and resource persons had been over paid by Rs.65,800 due to payments being made based on Sabaragamuwa Governor's Circular No. අ.ක. /10/7/A/8 dated 28 July 2008 which is contrary to the Circular No. II/719/E203/117 dated 29 August 2002 of the Director Establishments.

2:14 Operating Inefficiencies

The following observations are made.

- (a) Although unauthorized trade stalls had been constructed in the land on which official quarters of the Palmadulla Executive Engineers Office is situated. A legal action had not been taken to remove them. Further, it was observed that an outsider is occupying the labour quarters at Kahawatta, Welandura.
- (b) An outsider is occupying the clerks official quarters at Dala owned by the Executive Engineers Office, Kalawana and the official quarters and the land at Wewalkadura had been encroached by an outsider. But, legal action had not been taken in this regard.
- (c) According to the Internal Audit Register of document of the Department of Co-operatives Development only 51 out of the 613 societies functioning within the Rathnapura district had carried out internal audit examinations as at 05 February 2010 in respect of the year 2009. This represents 8% of the total of societies. Only 19 Multipurpose Co-operative Societies, 61 SANASA societies and 21 other societies had been subjected to supervision during the year 2009. It represents 16% of the total registered societies.
- (d) A sum of Rs.3,052,123 had been spent for 56 in-service training sessions conducted in respect of 5 Objects through funds provided by the Central Government under World Bank Credit Assistance. As the payment had been made based on Sabaragamuwa Governors Circular No : අ.ක /10/7/A/8 dated 28 July 2008 which is contrary to the Circular No. II/719/E203/117 dated 29 August 2002 of the Director, Establishments a total sum of Rs.245,600 had been over paid as allowances for participants and resource persons.

- (e) In 29 instances, in-service training sessions had been held with less participation and it was 40% to 78% of the expected participants. Therefore, the expected objectives had not been achieved.
- (f) At the procurement evaluation carried out for awarding cleaning service of the office of the Provincial Director of Health Services, Embilipitiya Base Hospital and the Rathnapura Chest Hospital, the lowest bid had been rejected, due to considering proper payment of provident funds to the employees as the main factor for evaluation. However, according to the information obtained from the Employees Provident Fund, it was observed that even the selected institute also had not properly paid the provident funds. Hence, it had to pay a sum of Rs.329,489 more for an year due to the wrong decisions of the Evaluation Board.
- (g) Two electricity extension projects of the Divisional Secretariat, Bulathkohupitiya had been cancelled and actions had not been taken even as at 11 January 2010 to get refund the total sum of Rs.148,100 paid to the Ceylon Electricity Board in the year 2003 and 2005.
- (h) Sabaragamuwa Province Industrial Development Authority had been established for the purposes of preparation and implementation of policies for industrial development as specified by the Sabaragamuwa Provincial Council, encouraging, uplifting and developing industrial, commercial and business activities and other projects. But, the Ordinance of the Authority had not made provisions for the time limits for presentation of accounts of the Authority. Consolidated annual final accounts (including Balawinna Concrete Yard) for the year ended 31 December 2009 had not been presented even as at 01 March 2010. The last final accounts were presented for the period of 20 months from 01 January 2003 to 30 August 2004.
- (i) Lease rent amounting to Rs.2,051,160 was in arrears as at 01 October 2009 in respect of 12 lands in the Kuruwita Paradise Industrial City to the extent of which is 85 acres leased out on long term basis. Action had not been taken to recover lease rent due or to cancel the lease agreement and to lease out again to suitable persons. Although 15 institutions had commenced business activities, action had not been taken to legally vest the lands with them or to recover the lease rent.

- (j) The land leased out to Palcom Industries in the Kuruwita Paradise Industrial City and the buildings constructed had been mortgaged to the National Development Bank of Sri Lanka without an authority and the Bank had sold the lease right of the said land as at 28 November 2000.
- (k) A part of crown land to the extent of 29 perches in the Erathna Grama Niladhari Division – 161 of the Divisional Secretariat, Kuruwita had been leased out for 30 years under long term lease. According to the lease agreement, the lease rent should be paid continuously and instances where the default of payment, the agreement is automatically become cancelled. However, the lease rent and the interest there on from 1995 to 2009 aggregating Rs.60,235 had not been recovered and actions had not been taken to cancel the agreement and take back the leasehold right.
- (l) According to the Colony Officer's report dated 16 October 1997, it had been reported that the land at Munasinghapura of the Divisional Secretariat, Kiriella that had been vested with a license should be partitioned to two families occupying the land as presently used them. But, due to a failure of the officers responsible, actions had not been taken accordingly. Hence the party affected had taken a legal action, and actions had not been taken to recover the lawyers charges amounting to Rs.72,000 incurred by the Provincial Land Commissioner from the officers responsible.
- (m) The local taxes relating to the purchases made out of the project funds can not be paid under foreign grants. Contrary to this, taxes amounting to Rs.1,303,411 relating to purchases aggregating Rs.23,623,966 made by the Ministry of Health and the Provincial Department of Health, Rathnapura had been paid out of the project funds.

2:15 Performance2:15:1 Government Grants

The details of provisions received for the development work proposals of the Provincial Council and the expenditure therefrom are shown below.

Source	Provision	Expenditure	Underutilization/ (Excesses)
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	Rs.	Rs.	Rs.
(i) Criteria Based Grants	415,639,000	311,485,000	104,154,000
(ii) Provincial Specific Development Grants	2,258,700,000	1,389,328,607	869,371,393
(iii) Collective Grants	9,337,152,184	8,493,000,000	844,152,184
(iv) World Bank Grants	-	197,924,953	(197,924,953)

2:15:2 Provincial Development Plan

According to the Provincial Development Plan for the year under review, 4570 work proposals had been approved under new works and continuation works. The progress of the work proposals according to the progress reports of the Provincial Council is shown in the following table.

	New Works	Continuation Works	Total Number of Work Proposals
	-----	-----	-----
(a) Fully Completed	2579	955	3534
(b) Completed less than 50%	200	66	266
(c) Completed more than 50%	194	62	256
(d) Not Commenced	416	45	461
(e) Disputed / Questionable	<u>9</u>	<u>24</u>	<u>33</u>
Total	<u>3398</u>	<u>1152</u>	<u>4550</u>

- * Progress reports had not been submitted in relation to 20 projects of the Chief Secretary's Office.

2:16 Contract Administration

2:16:1 Delay in Implementation of Projects / Work Proposals

There were long delays in implementation of the following projects/ work proposals

Project / work proposal	Estimated Cost	Date of Commencement	Expenditure incurred up to 31 December 2009	Reasons for delay
-----	-----	-----	-----	-----
	Rs.		Rs.	
(a) Hevadiwela - Thalanpitiya Road	2,341,856	25 September 2007	610,314	Provincial Council had not supplied tar
(b) Panawala - Maniyamgama Road	6,784,007	10 September 2007	1,714,885	The contractor had defaulted
(c) Sypoth - Nagasthanna Road	3,553,106	17 September 2007	1,204,546	The contractor had defaulted
(d) Watawala Road from Madawala Junction	4,447,908	11 October 2007	975,088	The contractor had defaulted

2:16:2 Completely Abandoned Projects/ Work Proposals

The following projects/ work proposals had been completely abandoned.

Project / Work Proposal	Estimated Cost	Date of Commencement	Expenditure incurred up to 31 December 2009	Reasons for Abandoned
-----	-----	-----	-----	-----
	Rs.		Rs.	
(a) Construction of the Agri Laboratory of the Kolonna National School	1,725,803	-	630,463	The contractor had defaulted

(b)	Udumulla - Heenatipanakanda Road	-	26 March 2009	-	The contractor had defaulted
(c)	Annasigala - Bolagama Road	-	12 January 2010	-	Provincial Council had not supplied tar
(d)	Deraniyagala - Bandarawtta wire Bridge - stage II	-	Not Commenced	960,475	The contractor had defaulted

2:16:3 Constructions

The deficiencies observed at the filed inspections of the construction works are shown below.

- (a) The 2nd tar laying had not been done in relation to the reconstruction of Kappettiya – Mandiya – Wewagama Road, eventhough 3 months had lapsed since the 1st tar laying. Due to this, holes and cracks were observed on the surface of the road at the physical examination carried out on 27 August 2009. The development works of the road had been terminated on 30 May 2009. But 15 Nos. of 200 litres tar barrels had been issued to the Technical Officer on 22 June 2009. Of this, 04 barrels had been removed by the Technical Officer.
- (b) The out-door patients division and the wards complex of the Aranayaka Hospital for which agreement had been signed for a value of Rs.11,163,000 completed and handed over on 20 October 2008 had not been utilized even as at 17 February 2009. A physical examination carried out revealed that there were 13 small cracks on inside and outside of the front wall of the ground floor and that the outside plastering work of the walls were poor.
- (c) The construction of well of the New Town Indoor Stadium had not been carried out according to the revised plan submitted on 26 February 2008 and therefore it is not in a suitable condition to use. A physical examination carried out on 27 December 2009 revealed that the expenditure amounting Rs.1,758,581 incurred on this construction had become fruitless.

3. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Heads of Institutions of the Sabaragamuwa Provincial Council from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting and Financial Control
- (b) Assets and Human Resources
- (c) Stores Control
- (d) Contracts
- (e) Implementation of Projects