

Uva Provincial Council - 2012

1. Financial Statements

1:1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 1.2 of this report, I have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on these financial statements.

1:2 Comments on Financial Statements

1:2:1 Provincial Council Fund

The Provincial Council Fund Account for the year under review had been presented to audit on 27 March 2013.

1:2:2 Other Accounts

The progress of presentation of other accounts of the Provincial Council for the year under review, as at 31 March 2013, is given below.

Type of Account	For the year 2012			
	Total Number of Accounts	Number of Accounts Presented	Number of Accounts not Presented	Number of Accounts not Presented relating to Previous Years
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(i) Appropriation Accounts	27	27	Nil	Nil
(ii) Revenue Accounts	01	01	Nil	Nil
(iii) Advances to Provincial Council Officers Accounts	28	22	06	06
(iv) Commercial Advance Accounts	09	03	06	02
(v) Fund Accounts	08	05	03	30
(vi) Statute Accounts	03	Nil	03	28

1:2:3 Consolidated Financial Statements

The following observations are made.

- (a) Fixed assets had not been shown in the statement of financial position presented by the Provincial Council while it was not disclosed in the notes to the financial statements that such assets are made available .
- (b) According to the financial statement of Uva Provincial Emergency Fund, the accumulated fund amounted to Rs.8,734,156 as at 31 December 2012 while the corresponding balance was shown as Rs.7,555,000 in the financial statements of Uva Provincial Council. Thus the difference was Rs 1,179,156.
- (c) The General Deposit Balance included in the financial statements of Uva Provincial Council as at 31 December 2012 amounted to Rs.442,064,868. The following observations are made in this connection.
 - (i) The debit balances belonging to the Divisional Secretariat Office, Sewanagala and Department of Minor Irrigation totalling Rs.1,136,304 had existed.
 - (ii) An age analysis in respect of credit balances totalling Rs.284,489,182 belonged to 08 institutions and debit balances amounting to Rs.1,106,304 belonged to one institution had not been furnished.
 - (iii) Action in terms of the Financial Regulation 571 had not been taken on credit balances exceeding for more than 02 years totalling Rs.37,922,945 relating to 33 institutions.
- (d) The balances of debtors shown under financial assets remaining for a long period totaling Rs.43,404,681 and the balances of creditors shown under miscellaneous accounts amounting to Rs.4,300,000 remaining for along period had not been settled even by 31 December 2012.
- (e) The bank current account of Uva Provincial Social Services Fund established in terms of Social Welfare Rehabilitation Fund Statute No. 02 of 1989, had been closed on 11 August 2011 and the balance of Rs.53,748 had been paid to Uva Provincial Chief Secretary on 14 March 2012. Accordingly this fund was inoperative since 11 August 2011 whereas a balance of Rs.46,252 had been shown under financial assets in the financial statements of Uva Provincial Council for the year 2012.
- (f) The balance of advances amounting to Rs 21,721,200 belonged to the District Mechanical Engineer's Office , Diyatalawa identified as accounting errors in the years 2005, 2006 and 2007 and included in the balance of Authorized Advance

Accounts totalling Rs.44,752,087 as at 31 December 2012 had not been settled even by 31 December 2012.

- (g) The debit balances totalling Rs.4,389,721 exceeding for more than 10 years in respect of 08 accounts and, the unsettled credit balance totalling Rs.1,115,681 included in the balance totalling Rs 886,861,328 in the Provincial Public Officers Advance Account shown in the financial statements of the year under review had not been settled even by 31 December 2012.
- (h) Revenue totalling Rs.98,809,444 received as at 31 December 2012 had been shown as revenue receivable in the financial statements.

1:2:4 Accounting Policies

The following observations are made.

- (a) Even though the closing stock should be brought to account at the lesser value which is the cost or net realizable value in terms of the Generally Accepted Accounting Principles, six items of stocks of Boralanda Farm had been valued at sales price amounting to Rs.11,848 as at 31 December 2012 and brought to account.
- (b) It was stated under Accounting Policy No. 02 that the financial statements of the year under review had been prepared on cash basis under Accounting Policy No. 06, it was stated that the revenue had been accounted by considering the collection period of revenue and the revenue relating to the year had been brought to account as far as possible on accrual basis

1:2:5 Unreconciled Control Accounts

The following observations are made.

- (a) There was a difference of Rs.8,162,972 between the Loans and Advances of Provincial Public Service Officers Accounts shown in the books of Department of Financial Management as at 31 December 2012 and total of corresponding balances of Advance Accounts to Provincial Public Service Officers furnished by Ministries, Departments and 06 offices as at that date.
- (b) According to the Classification Summary of Individual Balances of Provincial Public Service Advance Accounts in respect of 05 Ministries and Departments of Uva Provincial Council the total of balances amounted to Rs.666,838,955 whereas according to Control Accounts of Loans and Advances that balance amounted to Rs.671,889,246. Accordingly there was a difference of Rs.5,050,291.

1:2:6 Unexplained Differences

The following observations are made.

- (a) Even though the total credits during the year 2012 according to Advances to Provincial Public Officers Account of Uva Provincial Ministry of Agriculture, Agrarian Development, Animal Production, Fresh Water Fisheries Industry, Environment and Tourism amounted to Rs.6,903,596, according to the financial statements of the Council, the total credits amounted to Rs.7,054,127, thus the difference had been 150,531.
- (b) Balances of Debits and Credits of Provincial Public Officers Advance Account shown in the Note 11 of the Appropriation Account of Uva Provincial Council Secretariat had differ with the values shown in the financial statements of Provincial Council by Rs.11,950 and Rs.345,070 respectively.

1:2:7 Imprest Accounts

Imprest balances relating to 10 Imprest Accounts totalling Rs.3,356,412,477 had not been settled even by 31 December 2012.

1:2:8 General Deposit Accounts

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on 333 balances of deposits relating to 11 offices totalling Rs.7,786,353 older than 02 years as at 31 December 2012.
- (b) The unidentified deposit balance of the Uva Provincial Ministry of Road Development, Housing, Water Supply, Consumer Affairs, and Co-operatives and Food Supplies and Distribution amounted to Rs.340,269 as at 31 December 2012.
- (c) The expenditure amounting to Rs.243,920 which should have been reimbursed had been credited to General Deposit Account due to cancellation of Limited Competitive Examination for promoting K.K.S. employees of the Provincial Council to Management Assistant Service. Even though it was decided not to conduct this examination, action had not been taken to credit that amount to Government revenue even by 31 March 2013, the date of audit.
- (d) Even though the balance of the General Deposit Account as at 31 December 2012 according to Accounting Note No.41 included in the financial statements of Provincial Council in respect of the Uva Provincial Ministry of Youth Affairs, Sports, Social Welfare, Infrastructure Facilities Development, Power and Energy

and Textile and Small Industries amounted to Rs.20,149,483, the corresponding balance according to control accounts amounted to Rs.20,669,450 and as such the difference had been Rs.519,967.

- (e) There were unidentified balances totaling Rs. 24,752,085 in 110 General Deposit Balances in Zonal Education Office, Bandarawela as at 31 December 2012. A sum of Rs.3,669,049 deposited in 15 instances under the name of Director Pensions, and Agrahara Insurance Installments amounting to Rs.250,889 recovered in 31 instances had been retained in the General Deposit account up to 12 February 2013 without being settled.
- (f) Scholarship money awarded by the President Fund to a student on the results of the G.C.E Ordinary level Examination 2008 amounting to Rs 6,000, the contributions that should have been remitted to Public Service Provident Fund amounting to Rs.5,004 and Quality Inputs issued to the Zonal Schools but returned without being utilized amounting to Rs.11,579,143 had been retained in the General Deposit Account of Zonal Education Office, Passara and remained idling for a long period.
- (g) The balances of General Deposit Accounts of 02 Departments of Provincial Council totalled Rs.51,080,887 whereas according to records of the Department of Financial Management the corresponding balances totalled Rs.50,086,53. Thus the difference had been Rs.994,353.
- (h) The opening balance and the closing balance of the year in the General Deposit Account in the Summary Report of Control Account of Uva Provincial Education Department had not been tallied with the corresponding balances according to the books of the Department of Financial Management by Rs.119,608,295 and Rs.244,755,575 respectively.

1:2:9 Accounts Receivable

The following observations are made

- (a) The receivable balance from the Advance Account Activity of Uva Provincial Press as at 31 December 2012 according to the accounts of Uva Provincial Chief Minister and Ministry of Finance and Planning, Law and Order, Education, Local Government, Cultural Affairs, Transport, Land, Irrigation, Economic Promotion and Rural Infrastructure Development and Construction, amounted to Rs.2,932,993.
- (b) A sum of Rs.2,765,672 should have been received to the Textile Advance Account from the textile sold on credit basis for 868 employees of state institutions during the period of 1991 – 2004.

1.2:10 Lack of Evidence for Audit

(a) Un-answered Audit Queries

Replies to 07 audit queries issued had not been furnished up to 31 December 2012, and the value of quantifiable transactions relating to those audit queries amounted to Rs.3,452,613,953.

(b) Non- rendition of Information to Audit

The following observations are made.

- (i) Transactions totalling Rs.80,570,890 could not be satisfactorily vouched in audit due to non- rendition of required documents for audit.
- (ii) All Votes Ledgers in the office of the Deputy Provincial Director of Health Services, Badulla for the year 2012 had not been balanced and updated and as such it could not be ascertained the accuracy of the expenditure of the Objects.

1.2.11. Non-compliances

(a) Non-compliances with Laws, Rules and Regulations.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs	
(j) Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- * Chapter XIX Section 5.6	-	Approval of the Secretary of the Ministry had not been obtained for recovering economic rent from all quarters belonging to Uva Provincial Department of Agriculture.
* Chapter XIX Sections 6.14 and 7.2	26,005	Penalties of rent had not been recovered from an officer who occupied the quarters of Uva Provincial Department Of Agriculture for 13 months from 01 August 2011 to 01 September 2012.

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| * Chapter XXIV Section 3.5 | 2,679,766 | Distress loans in excess of 40 per cent abatement limit had been granted to 63 officers by 09 institutions of Uva Provincial Council. |
| * Chapter XXIV Section 4.5 and 4.6 | 120,120 | Action had not been taken to recover debtor balances from sureties, remained without being recovering included in the debit balances of Advance Account of Uva Provincial Health, Indegenous Medicine, Probation and Child Care and Women Affairs. |
| * Chapter XXIV Section 7.5 | 158,719 | A loan had been granted to an officer for purchasing a land by Uva Provincial Department of Ayrveda..The power of Attorney for vesting the property to the Head of the Department and the title report of the land,that should have been furnished to confirm for utilizing of the loan for relevant purpose had not been furnished even by 31 December 2012.The action had been taken to recover the loan back in terms of the provisions of the Establishments Code. |

(ii) Financial Regulations of Democratic Socialist Republic of Sri Lanka

Financial Regulation 571(3)

Two hundred and one lapsed deposits of Uva Provincial Department of Education older than 02 years had not been settled.

(iii) Financial Rules of Uva
Provincial Council

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| * Provincial Council Financial Rules 104. | 143,800 | Action had not been taken in terms of Financial Rules relating to a Motor Vehicle of Uva Provincial Department of Agriculture met with an accident on 06 March 2012 |
| * Provincial council Financial Rules 133 | - | An internal Audit had not been carried out on transactions of Okkampitiya Seeds Farm and Governor's Fund in the year under review. |
| * Provincial Council Financial Rules 271.2.2. | 668,812 | Un-paid salaries of teachers in 23 instances had been retained in the General Deposit Account of the Zonal Education office, Bandarawela from 28 July 2004. |
| * Provincial Council Financial Rules 371.2.2 | 485,014 | Sub-impressts paid in 12 instances for 04 officers of one Provincial Ministry and two Provincial Departments had not been settled even by 31 January 2013. |
| * Provincial Council Financial Rules 371.2.7. | 181,000 | Sub-impressts paid in 07 instances during the year 2011 by one Provincial Ministry had not been settled even by 31 January 2013. |
| * Provincial Council Financial Rules 504.1. | - | The statements in terms of the Financial Rules that the limits authorized had been complied with at the end of the quarter for the Commercial Advance Account of Uva Provincial Printing Press had not been prepared and furnished to the Chief Accounting Officer with copy to the Auditor General. |

- * Provincial Council Financial Rules 757 (2) and (3). - Action had not been taken on shortages of 496 equipment identified in Boards of Survey Reports of 10 institutions belonging to office of Divisional Director of Health Services Moneragala even by 22 April 2013.

 - * Provincial Council Financial Rules 772 (1) - Necessary course of action had not been taken on goods which could not be utilized and recommended to destroy in 05 institutions belonging to office of Divisional Director of Health Services Moneragala.

 - * Provincial Council Financial Rules 896 - Registers of Fixed Assets had not been maintained by 14 Institutions of Provincial Council
- (iv) Public Administration
Circulars

- * Circular No 41/90 of 18 October 1990 - Fuel consumption of 11 motor vehicles had not been tested once in 06 months by one Provincial Ministry and two Provincial Departments.

 - * Circular No 08/96 of 15 March 1996 425,386 - Distress loans had been paid to 08 officers of two Provincial Departments in contrary to the security conditions.

 - * Circular No 09/2009(1) of 17 June 2009 - Reporting for the service had not been confirmed through Time Recording Machines of the Ministry Staff of one Provincial Ministry

(v) Treasury Circulars

Circular No IAI/2002/02 of 28 November 2002	170,100	Registers of Fixed Assets for Computer Accessories and Software had not been maintained in the Okkampitiya Seeds Farm, Uva Provincial Department of Education Zonal Education offices, and schools.
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(v) Other Circulars

Management Audit Circular No. DMA/2009/02 of 01 September 2009	-	A Register of Assets that should have been maintained according to the Form General 287, had not been maintained for the assets of Okkampitiya Seeds Farm.
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(b) Non-compliances with Tax Requirements

The PAYE tax had been computed without being included the additional allowances and other earnings to monthly remuneration, received by the Subject Minister and the Secretary of the Uva Provincial Ministry of Youth Affairs ,Sports, Social Welfare ,Estate Infrastructure Facilities Development,Power and Energy and Textile and Small Industries in the year 2012 and as such a sum of Rs.351,277 had not been remitted to the Commissioner General of Inland Revenue.

1.2.12 Non-compliance with Advance Account Limits.

(a) Maximum Expenditure Limit of 02 Advance Account Items had exceeded by a sum of Rs.88,950,854 in contrary to the provisions of Uva Provincial Council Financial Rule 503.Details appear below.

Item No	Advance Account Activity	Maximum Expenditure Limit	Actual Expenditure	Limit Exceeded by
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		Rs.	Rs.	Rs.
70601	Advances to Provincial Public Service Officers	2,500,000	2,505,000	5,000
71001	-do-	70,000,000	156,220,305	86,220,305
72601	-do-	9,000,000	11,725,549	2,725,549
Total				88,950,854

- (b) Maximum Limit of Debit Balance of 10 items had exceeded by a sum of Rs.168,933,981 while Minimum Limit of Receipts of 02 items had a shortfall of Rs.825,115.

2. Revenue Management

- (a) The arrears of revenue as at 31 December 2012 according to Report of Arrears of Revenue, prepared in terms of Financial Regulation 128(2) amounted to Rs.202,778.
- (b) Revenue received by the collection accounts maintained under the name of the Uva Provincial Commissioner of Revenue and revenue collected by Uva Management Development Training Institute totalling Rs.99,872,887 had not been included in the Consolidated Revenue for the year.

3. Financial Review

3.1 Financial Results

According to the financial statements presented the deficit of the Provincial Council Fund for the year ended 31 December 2012 amounted to Rs.330,988,908 as against the surplus of Rs.501,381,768 for the preceding year. Thus the financial results for the year under review as compared with preceding year had deteriorated by a sum of Rs.832,370,676.

3.2 Income and Expenditure

According to the financial statements presented a summary of the income and expenditure for the year under review and the preceding year is given below.

	<u>2012</u>			<u>2011</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs	Rs	Rs	Rs	Rs	Rs
Income relating to Provincial Council Items						
Taxable Income	1,468,098,000	1,692,690,962	224,592,962	827,326,000	1,503,998,803	676,672,803
Non-taxable Income	667,902,000	410,288,846	(257,613,154)	408,674,000	303,608,456	(105,065,544)
Government Grant	15,475,826,000	10,127,233,740	(5,348,592,260)	10,347,000,000	10,404,988,682	57,988,682
	<u>17,611,826,000</u>	<u>12,230,213,548</u>	<u>(5,381,612,452)</u>	<u>11,583,000,000</u>	<u>12,212,595,941</u>	<u>629,595,941</u>
Expenditure						
		<u>2012</u>			<u>2011</u>	
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs	Rs	Rs	Rs	Rs	Rs
Personal Emoluments	9,246,704,840	9,073,648,538	173,056,302	8,380,903,944	8,271,032,237	109,871,707

Other Recurrent	2,774,081,661	2,181,727,156	592,354,505	2,462,730,607	1,826,468,557	636,262,050
Government	4,049,435,109	1,305,826,763	2,743,608,346	3,627,634,865	1,613,713,379	2,013,921,486
Investments						
	16,070,221,610	12,561,202,457	3,509,019,153	14,471,269,416	11,711,214,173	2,760,055,243

The total expenditure for the year under review amounted to Rs.12,561,202,457. Out of which 90 percent and 10 percent represented recurrent expenditure and Government investments respectively.

4. Commercial Advance Accounts

4.1 Advance Account of Uva Provincial Printing Press

Non- reconciliations of balances in the Advance Account of Uva Provincial Printing Press were existed in the year under review in respect of the balances between votes ledgers and ledger accounts by Rs.504,151, trial balance and revenue statement by Rs.6,580 , trial balance and ledger accounts by Rs.433,592 , assets register and fixed assets schedule of the accounts by Rs.101,357 votes ledger and petty cash book by Rs.19,982 and the Printing Press Registers and ledger accounts by Rs.16,822 .

4.2 Commercial Advance Account of Okkampitiya Seeds Farm

The following observations are made

- The value of the stock as at 31 December 2012 had been brought to account at sales price of Rs.721,525 without taking into account at lesser value either cost or net realizable value according to Generally Accepted Accounting Principles.
- Action had not been taken to brought to account of direct deposits amounting to Rs 24,555 brought forward since several years in the Bank Statement and to settle turnover tax payable amounting to Rs.333,561.

4.3 Advance Account of Import and Distribution of Seed Potatoes

The following observations are made

- A sum of Rs.4,893,741 recoverable from the Institute of J.VAN DIJK DRONTEN BV in Netherlands for rejected seed potatoes which caught a disease of Black Spots had not been disclosed in the accounts as a receivable balance.
- Three transactions totalling Rs.33,501,491 could not be satisfactorily vouched in audit as the required evidence had not been made available such as Registers Ledger Accounts and Debtors Schedules.

5. Operating Review

5.1 Performance

5.1.1 Activities Contrary to Objectives

Out of the provisions of Rs.4,000,000 made in Annual Financial Statement under Object 726-50-4-2103(2) (Machinery- Purchase of machinery required for servicing of vehicles), a sum of Rs.3,461 783 had been spent for the activities extraneous to the objectives of the Object.

5.1.2 Objectives not Performed Adequately

The following observations are made

- (a) Action had not been taken to achieve 13 services out of 15 services, that should have been achieved by Uva Provincial Library Services Board mentioned in the Section 26.3 of Part iv of Uva Provincial Library Statute .Out of the entire expenditure spent for the year under review amounting to Rs.2,626,236 by the Uva Provincial Library Services Board , 63 per cent had been spent for the staff recruited as irregularly and as such only 37 per cent had been utilized for achievement of objectives of the institution out of the entire expenditure.
- (b) The reasons for non-implementation of 715 work proposals approved by the Provincial Development Plan of Uva Provincial Ministry of Youth Affairs, Sports, Social Welfare Estate Infrastructure Facilities Development Power and Energy and Textile and Small Industries had not been furnished. Even though the provisions of Rs.16.9 Million had been made for 04 work proposals relating to power and energy sector in the three year plan approved by the Finance Commission, those work proposals had not been implemented.

5.2 Management Inefficiencies

The following weaknesses were observed during audit test checks.

- (a) Drugs included in 03 invoices given to the office of the Medical Officer of Health, Girandurukotte by the office of the Deputy Provincial Director of Health Services, Badulla had not been entered into Inventory books . Fourteen categories of expired drugs and injections were remained in the main stores of the hospital due to non- taking a proper control in issuing drugs.
- (b) The accounts of every Society of Co-operatives should have been audited once in a year by a person or an institution approved by the Registrar in terms of the Section 51(1)(a) of Co-operative Statute No, 03 of Uva Provincial Council .Nevertheless the Department had failed to achieve 50 per cent progress out of that in the year 2011.

- (c) The arrears of rent recoverable from the year 2008 to 2012 by the District Mechanical Engineer's Office amounted to Rs.24,742,979. Out of that rent arrears, sums of Rs 995,009 and Rs 8,602,620 should have been recovered from private institutions and outside persons and from the institutes of central Government respectively.
- (d) Out of the sum of Rs.182,001,457 sent for payments of public assistance and assistance for deceases monthly to Postal Department in the year under review, a sum of Rs.17,290,841 had been returned as the beneficiaries not presented.
- (e) Electricity facilities had not been supplied for 60 x20 feet building of Viharagala Tamil Vidyalaya in Bandarawela Education Zone consisting of 93 students, constructed in the year 2009, even up to 25 September 2013, the date of audit. The attention had not been paid by the management in respect of repairing and the utilization of the main hall and the only teachers quarters decayed for a long period.
- (f) The information relating to various physical resources granted to schools of Passara Education Zone by line Ministry and other various institutions and organizations had not been made available in the Zonal Education Office while co-ordination between the Zonal Education Office and the schools had been at a weak level.
- (g) The weaknesses such as idling the computers and accessories given to schools, lack of teachers for computers, lack of infrastructure facilities to utilize equipment ,most of the equipment given were in non-working condition,non-carrying out proper repairs and maintenance, lack of adequate students for using equipment, results of the schools remained at low level, weaknesses in the communication between principles and Zonal Education Offices and the updated information on equipment and quality inputs given to schools of the Zone not available in the Zonal Education offices ,were in the schools of Passara Education Zone. However proper follow-up action thereon had not been taken by the office of the Passara, Education Zone.
- (h) Action had not been taken to obtain Registration Certificates of 12 motor vehicles given to office of the Divisional Director of Health Services, Moneragala.
- (i) Proper course of action had not been taken against the officers who were responsible for the losses caused to vehicles by two accidents amounting to Rs.244,270 during the year 2012 in the office of the Divisional Director of Health Services, Moneragala.
- (j) Out of the sum of Rs.6,286,156 granted to purchase of equipment for Maternity Centres under the programme of Jathika Saviya Gama Neguma during the year 2011 in the office of the Divisional Director of Health Services, Moneragala, a sum of

Rs.279,569 had been retained in the General Deposit Account without taking action to send back Rs.412,000 and had been credited to the revenue on 05 March 2013.

- (k) Fifty three computers and accessories given as donations by Uva Provincial Ministry of Health to office of the Divisional Director of Health Services on 28 September 2012 had been retained in the stores without being utilized even by 20 June 2013.
- (l) Seventy seven miscellaneous equipment received by the stores of the office of the Divisional Director of Health Services, Moneragala during the years 2010, 2011 and 2012 had been retained in the stores without being utilized for any purpose.
- (m) Five cheques valued at Rs.355,345 drawn on the names of various institutions for purchase of goods in the year 2011 by office of the Divisional Director of Health Services, Moneragala had been retained in the General Deposit Account even as at 28 June 2013.

5.3 Operating Inefficiencies

Salaries of Hon. Minister of Uva Provincial Ministry of Youth Affairs, Sports, Social Welfare, Estate Infrastructure Facilities Development, Power and Energy and Textile and Small Industries and the staff amounting to Rs.373,301 had been paid in cash. It was observed that there were chances to misappropriation of cash as the payments had been made by encashment of cheques without paying by cheques in payment of salaries or allowances to Ministers or officers.

5.4 Under-utilization of funds

The following observations are made

- (a) The entire net provisions of Rs.33,404,400 made under 28 Objects of 13 Ministries and Departments had been saved.
- (b) Out of the provisions of Rs.30,000,000 allocated under Object 712-3-7-2106-1, of Solid Waste Management of Local Authorities a sum of Rs.17,668,159 had been saved giving reasons as adequate imprests not received whereas imprests for Rs.15,000,000 only had been requested .
- (c) Entire provisions of Rs.15,000,000 allocated under Object 712-3-7-2-2106-2 of Development of Local Government Infrastructure Facilities under Japan International Co-operation Aid had been saved whereas imprests for Rs.2,000,000 only had been requested .
- (d) A sum of Rs.5,000,000 allocated for Uva Provincial Chief Minister's Fund in the financial statement for the year under review had been shown as receipts in the

Fund's financial statements as at 31 December 2012, and actual amount of Rs.4,500,000 received out of the provisions, had been shown as receipts from supplementary estimates. As such the revenue for the year had been shown as Rs.9,500,000 overstating by Rs.5,000,000. Due to that, the deficit for the year under review amounting to Rs.34,500 had been shown as revenue surplus of Rs.4,965,500 in the financial statements. The accumulated fund that should be reflected as Rs.4,093,664 at the end of the year had been reflected erroneously as Rs.4,133,664 overstating by Rs.34,500 erroneously.

5.5 Expenditure Incurred in Excess of Provisions

Public Expenditure Management

The following observations are made.

- (a) Out of the provisions made for 21 Objects for overtime allowances relating to salaries and wages and other goods and services, 2 per cent had not been saved in terms of the paragraph 2.1 of National Budget Circular No 155 of 30 December 2011, while freezing of provisions for a Recurrent Object had been made less than 02 per cent.
- (b) Out of the provisions made for 11 Objects of Uva Provincial Ministry of Youth Affairs, Sports, Social Welfare ,Estate Infrastructure Facilities Development, Power and Energy and Textile and Small Industries, 02 per cent and 09 per cent from the provisions of Recurrent and Capital Expenditure respectively made in the budget estimates for the year 2012 had not been saved in terms of the paragraph 02 of National Budget Circular No. 155 of 30 December 2011 of Secretary of the Ministry of Finance and Planning.
- (c) Freezing of provision of a Capital Object of Uva Provincial Department of Education had been made less than the amount specified in terms of the letter No P/BUD/CIR/2012 of Uva Provincial Chief Secretary dated 15 November 2012 by Rs.99,000.

5.6 Idle and Under-utilized Assets

It was observed during audit test checks that certain under mentioned assets belonging to Provincial Council remained either idle or underutilized.

- (a) It was observed at audit test checks that physical resources valued at Rs.2,055,541 belonging to Uva Provincial Ministries, Departments, Offices and 18 Schools remained idle or underutilized for a period ranged from 01 year to 10 years.
- (b) Adequate stores facilities had not been made for Nephrology Unit of the Girandurukotte hospital while removed medical equipment, chairs, testing

accessories etc. had been kept in the place of the consultation of patients. As the facilities had not been available to obtain electricity by utilizing a generator in a disconnection of power, the examination of patients could not be done.

- (c) As Rice Processing Centre of Monaragala had been established without conducting a feasibility study regarding electricity requirement by Uva Provincial Ministry of Road Development, Housing, Water Supply, Consumer Affairs and Co-operatives and Food Supply and Distribution, the rice processing had to be carried out by 2 instances due to non-receiving of 80 KW power supply capacity. Accordingly, skin removing of rice had been done in first instance and rice processing had been done in second instance. As 3500 kilogrammes of rice only had been processed per day it was failed to utilize the precised capacity of processing 7000 kilogrammes of rice per day.
- (d) A motor vehicle of Uva Provincial Department of Co-operative Development had not been utilized for running from 14 May 2012 and action either for repair or to dispose had not been taken in terms of Public Finance Circular No. PFD/ASD/04/01 of 08 February 2011.
- (e) Even though provisions of Rs.5 million had been granted for commencing of Drugs Prevention and Rehabilitation Centre at Uduwara under the Programme of Provincial Specific Development Grant of Uva Provincial Department of Social Services in the years 2010, 2011 and 2012, the objective of establishment of the centre had not been achieved even by October 2013.

5.7 Irregular Transactions

Certain transactions entered into by the Provincial Council were devoid of regularity. Several such instances observed are given below.

- (a) A sum of Rs.8,500,000 had been deposited in the office of the Divisional Secretariat Balangoda for acquiring of the quarters of the Governor belonging to an estate of Balangoda Plantation Company in the years 2009, 2010 and 2011. The asset had not been transferred up to May 2013 and this sum had been kept idle for more than one year. Further this value had been included in the report of the Movement of Non-current Assets in the Appropriation Account as an asset acquired by the office under the Object 700-3-2-2105.
- (b) A sum of Rs.1,500,000 had been paid at the rate of Rs.30,000 per month as transport allowance from the year 2008 to 2012 and a sum of Rs.1,017,048 had been paid as monthly fuel allowance for the same period to the Secretary of the Uva Provincial Governor who served on the contract basis in terms of the Public Administration Circular No. 2008/14 of 26 June 2008 and the Ministry of Finance and Planning Circular No. BD/A/AO/BC of 08 October 2012. In addition a sum of Rs.110,888 had

been paid as fuel advances in using pool vehicles of the institute for the official and private travelling from the year 2010 to 2012.

- (c) Two mobile phones had been purchased at Rs.36,000 for two officers of the office of the Deputy Chief Secretary (Engineering Service).
- (d) The cleaning service of the premises of Uva Provincial Library Services Board for the period of 01 June 2009 to 01 June 2010 had been entrusted to a private institution on monthly payment basis of Rs.31,712 without following procurement procedure by Secretary of the Uva Provincial Chief Minister and the Ministry of Finance and Planning, Law and Order, Education, Local Government, Cultural Affairs, Transport, Land, Irrigation, Economic Promotion, Rural Infrastructure Development and Construction. Even though the service of this institute had been obtained after the end of the agreement period of 01 June 2010 until 08 October 2013, the date of audit without being renewed the agreement, the information relating to the payments made to the institute within the period had not been made available to audit.

Even though the cleaning services should have been rendered for outside premises as well as inside premises by the same firm according to the agreement, a sum of Rs.119,930 had been paid from the income of Provincial Library Services Board from the year 2008 to 31 December 2012 and a sum of Rs.738,934 had been paid to a Casual Garden Labourer by the Uva Provincial Ministry of Education from 04 October 2006 to 03 August 2012.. In addition to that payments, a sum of Rs.5,000 had been paid to a labourer for obtaining services on daily paid basis for cleaning of the premises in the year under review.

5.8 Identified Losses

Particulars of identified losses revealed at audit test checks are given below.

- (a) A sum of Rs.30,567 had to be over paid to the contractor due to non-receiving the contribution from the estate company in construction of Nayabadda portion of the Road of St. Catharine Junction to Balagala via NayabaddaWatta Junction under the programme of Development of Estate Roads of the Divisional Engineer's office (Roads) Diyatalawa.
- (b) A vehicle belonging to the Uva Provincial Ministry of Youth Affairs, Sports, Social Welfare, Estate Infrastructure Facilities Development, Power and Energy and Textile and Small Industries had met with an accident on 23 April 2012 in the area of Kanilwatta, Ginigathena and the damage caused to the vehicle amounted to Rs.1,394,165 while a sum of Rs.1,029,418 had been received from the Insurance company as compensation. Action had not been taken on losses amounting to Rs.364,747 which could not be recovered from the Insurance Company in terms of Financial Rule 104 of Uva Provincial Financial Rules.

- (c) According to Register of Stock of Uuniforms in the office of the Divisional Director of Health Services, Monaragala the balance of the “Kaki” Trouser materials as at 19 July 2013 had been 1,967 meters whereas the physical balance was 1,105 metres, thus there was a shortage of 862 meters of “Kaki” Trouser Materials.

5.9 Deficiencies in Contract Administration

Weaknesses in the Implementation of Projects

The following observations are made.

- (a) A sum of Rs.415,774 had been spent for renovation of the water pipe line and the well of Sujathaevana Children’s Home, Bandarawela whereas the water could not be utilized as the water mixing with rust, due to using GI Pipes of 1½” with no standard.

Despite one motor was adequate enough for supply of water, two water motors of Centric Vms 100/4/35, 1’x1’ type had been installed paying a sum of Rs.580,946 on 16 October 2011 while the pumping house constructed at Rs.370,556 using one motor had remained out of order.

A sum of Rs.520,506 had been paid to Water Supply and Drainage Board for water supply from March 2011 to December 2012 due to non-obtaining drinking water properly from above work accomplished to obtain pure water by spending Rs.1.6 million.

- (b) A sum of Rs.674,850 including Value Added Tax of Rs.50,976 had been paid to a construction society not registered for Value Added Tax for supply of 275 barbed wire poles for work of construction of the fence around the Borlanda Animal Farm.
- (c) The Divisional Engineer Moneragala had entered into an agreement for a sum of Rs.1,708,159 with “Sinha GoviSanwidanaya” on 06 August 2012 for the work of “Widen the Buddhama Junction of Buddhama – Thalagangoda Road” and a sum of Rs.1,613,249 had been paid to above society on 28 December 2012 but the place was washed away and potholes were shown in the junction as the soil compaction had not been done properly. Both sides of the concreted drain for which spent Rs.247,835 had not been compacted with soil and it was observed that the rain water was draining throughout the gravel compacted area due to work had been done without any proper study on the manner of water draining .
- (d) A sum of Rs.1,668,293 had been spent for the work of “Concreting the Ambagasdowa DiyakolaArawa Road” while deficiencies such as the expansion joints should be made had not been made as planned, cracks were shown on the road at the points of 80, 90 and 100 meters from the road starting point and shoulders of

both sides of the road not filled with soil and compacted were revealed at the inspection carried out on 22 January 2013.

- (e) A sum of Rs.414,509 had been spent for the construction of Retaining wall and the Culvert in the road connecting to paddy field from Bogahakumbura, Bibiligamuwa, upper Meda Thulana implemented under the office of the Divisional Secretariat, Welimada under the Criteria Based Investments Programme in the year 2012 while this retaining wall and the culvert had been constructed in the road directing to one private residence. Those residents also had not used this road even up to the date of audit, while it was not possible to use this road either for other residencies or paddy fields other than the above house. Accordingly, the sum incurred of Rs.414,509 for the construction of the retaining wall and the culvert had been spent for benefit of one person and as the road has not been used even by such person that amount had become a fruitless expenditure.
- (f) The main well constructed for District Mechanical Office at an expenditure of Rs.702,353 had not been utilized from 10 June 2010 due to waste collecting from a draining system nearby whereas the Engineers and Technical officers had not considered regarding the draining system before constructed the well.
- (g) The period of 08 months had spent to obtain specifications relating to power supply by solar-cells under Alternative Power Development. Even though the number of houses in the Uva Province for which could not be supplied power from National Power Supply System amounted to 1,925 , power had been supplied by solar system only for 20 houses in the year 2012. A sum of Rs.2,500,000 had been paid to Small Scale hydro power station societies for repairing 06 Small Scale Hydro Power Stations in the year 2012 without obtaining technical officers reports.

5.9.1 Projects abandoned without Completing

The following observations are made.

- (a) Even though a sum of Rs.768,793 had been incurred for the Project of Widening the Elawela Road commenced at an estimate of Rs.1,527,900 utilizing the provisions of Provincial Council as at 31 December 2011, such project had been abandoned without completing even by 19 February 2013.
- (b) The work of Renovation of Medagama Kohukumbura Clinic Centre had been commenced at an estimated cost of Rs.4,217,653 on 29 December 2011 and a sum of Rs.738,480 out of that, had been spent as at 31 December 2012. This work had been abandoned without completing as the agreement of the work had been cancelled.
- (c) The works of Renovation of Medical Quarters in District Hospital, Inginiyagala and constructions of Watcher's shed, Gate and Road of Vishaka Training School Kappetipola had been commenced at an estimated cost of Rs.3,481,486. Even

though a sum of Rs.784,811 had been spent as at 31 December 2012, there were delays of completing of such projects due to heavy rains and closing the roads.

5.10 Staff Loans Recoverable

The following observations are made.

- (a) The recoverable staff loan advance balances of 22 accounts as at 31 December 2011 totalled Rs.95,350,116 while balances of accounts remained outstanding older than 03 years totaled Rs.56,268,004.
- (b) Action had not been taken to settle unsettled loan balances of 1326 officers who came on station transfers amounting to Rs.52,686,535 and the loan balances recoverable from 2,202 officers transferred out on station transfers amounting to Rs.89,926,352 by Accounts Summaries in terms of the Uva Provincial Chief Secretary's Circular No. 2004/1 of 08 January 2004.
- (c) Loan balances receivable from 84 officers who had vacated posts, interdicted, deceased and retired totalled Rs.4,274,951 and action to recover those balances from the pension gratuity or sureties had not been taken in terms of Sections 4.2 and 4.5 of the Establishments Code or to obtain Attorney General's advice to recover such outstanding loan balances in terms of Section 4.6
- (d) Action in terms of the Sections 4.5 and 4.6 of Chapter XXIV of Establishments Code had not been taken in respect of debtor balances of Rs.695,913 remained non-recoverable in the Uva Provincial Department of Animal Production and Health and Uva Provincial Department of Road Development included in the Debit Balance of the Advance Account as dormant balances.
- (e) Action in terms of the Paragraph 3.2.1 and 3.2.2 of the National Budget Circular No. 118 of 11 October 2004 had not been taken either to recover total sum or to recover as monthly installment and interest or to settle in respect of loan balances receivable from 667 officers who transferred out on station transfers to each Ministry and Department of central Government from Uva Provincial Council and loan balances to be settled of 993 officers who come on station transfers amounting to Rs.20,072,902 and Rs.42,343,543 respectively.

5.11 Assets Management

5.11.1 Unrecorded Assets

- (a) Fixed Assets amounting to Rs.432,990 received during the year under review from the Uva Provincial Chief Minister and Ministry of Finance and Planning, Law and Order, Education, Local Government, Cultural Affairs, Transport, Land, Irrigation,

Economic Promotion and Rural Infrastructure Facilities Development and Construction had not been brought to account.

- (b) The value of 217 items of assets belonging to Uva Provincial Printing Press had not been computed and brought to account.

5.11.2 Institutes in which Boards of Surveys not conducted

- (a) Four Ministries, Departments and Offices of Uva Provincial Council had not conducted Boards of Survey for the year 2012 in terms of Financial Rules 756 and 757 of Uva Provincial Council.
- (b) Action in terms of the Uva Provincial Financial Rule 757(2) had not been taken on the shortages reported in the Boards of Survey Reports of Uva Provincial Department of Co-operative Development, Office of the Assistant Commissioner of Co-operative Development, Moneragala and Co-operative Management Training Centre in respect of the year 2012.

5.12 Assets given to External Parties

- (a) The two storied building approximately 3500 Sq.feet with six bed rooms constructed for Uva Provincial Department of Policy and Planning in the year 2009 incurring a sum of Rs.6,126,904 and kitchen equipment therewith and household items amounting to Rs.834,022 had been given for the use of outside person without being recovered any charge on 09 September 2009 extraneous to the objective. However salaries paid to the Circuit Banglow Keeper since February 2011 to February 2011 to February 2013 amounted to Rs.500,201.
- (b) A state land in extent of 09 acres and 13 perches belonging to Divisional Secretariat Division, Welimada had been leased out at a lease rental of Rs.300 to St. Thomas College, Gurutalawa for the period of 01 November 1956 to 01 November 1966 for agricultural purposes. The land had been utilized continuously for 47 years even by 30 October 2013 without being renewed the lease agreement and without paid lease rental and a private school had been maintained in contrary to the agreement. About one acre of land had been acquired by individuals due to not safe-guarding the boundaries of the land. The recoverable amount computed as Rs.2,215,500 since 1996 had not included in which the penalties, as such the accuracy of the amount could not be accepted and it was observed that the recoverable amount was exceeding Rs.05 million.
- (c) The State land in extent of 1.117 hectares belonging to Agriculture Research Institute, Kahagolla in the Divisional Secretariat Division Bandarawela had been leased out to a private institution to carry out businesses for a 50 years period since 30 December 1998, at an annual lease rental of Rs.180,000 from the year 2004 to

2008 and at Rs.270,000 from the year 2009. Whereas the payments of lease rental had been defaulted from the year 2004 the deprived revenue including interest by the Provincial Council as at end of the year 2013 amounted to Rs.2,700,000.

Action had not been taken by the Divisional Secretariat, Bandarawela to recover the revenue and remit to the Provincial Council and as well the Provincial Council had not intervened actively to recover the above revenue.

5.13 Staff Administration

5.13.1 Approved and Actual Cadre

Information regarding the approved cadre and the actual cadre of the Uva Provincial Council as at 31 December 2012 is given below.

(a) Ministries / Departments / Institutions of the Provincial Council Except School Staff

	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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Senior Level	976	852	124	-
Tertiary Level	2,828	2,308	520	-
Secondary Level	19,748	18,640	1,108	-
Primary Level	4,260	4,764	-	504
Others (Casual, Temporary)	21	426	-	405
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Total	27,833	26,990	1,752	909
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(b) School Staff

	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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Principals	800	869	-	69
Teachers	15,620	15,841	-	221
Programme / Management Assistance and Hostel Wardens	281	210	71	-
Junior Employees	856	1,281	-	425
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Total	15,557	18,201	71	715
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5.13.2 Excesses, Shortages and Deployment of Teachers

The following observations are made.

- (a) Number of Excess teachers amounted to 05 in respect of 04 subjects and shortage of teachers amounted to 05 for 03 subjects in the Black wood No.01 Tamil Vidyalaya of Bandarawela Educational Zone, thus action had not been taken for balancing of deployment of teachers by the management.
- (b) Excess of teachers had remained as 3, 2 and 2 for the subjects English, Dancing, Health and physical Education respectively in the DikUlpatha PragnasaraVidyalaya of Bandarawela Educational Zone. Action had not been taken for balancing the deployment of teachers by the management as six teachers who attached to the other schools and their salaries had been drawn from this school.
- (c) Shortage of primary teachers in 08 schools of Haldummulla Zone stood at 08 and shortage of English teachers in 18 schools stood at 18.
- (d) The total number of students were 66 in year 1 to 5 classes at Rahula College, Badulla in the Badulla Educational Zone whereas 06 primary teachers had been deployed in the service. There was no proper time table for three teachers. Even though only one teacher required for Home Economic Science, 3 teachers had been deployed thereon. Even though 3 numbers of teachers only had required for English subject according to students number 06 English teachers had been deployed in the service. The total number of students of the school amounted to 222 whereas the number of teachers amounted to 53, thus Number of Students Per Teacher was 4. Substantial amount of excess teachers was remained in this Vidyalaya, while a time table in terms of the Circular No. 2003/38 of 07 November 2003 of Secretary to the Ministry of Education had not been given for them.

Therefore the teachers who had given proper time tables had been discouraged and their service could not be obtained effectively. Substantial shortage of teachers are remained in the difficult area schools within the Zone and within the province but attention had not been paid by the management for balancing the deployment of teachers between the schools, The service period of 21 teachers of this vidyalaya had remained more than 08 years.

- (e) The continuous service of the 20 Principles of 20 schools in the Bandarawela Educational Zonewas ranged between 14 years and 30 years.
- (f) Number of excess teachers of ViharaMaha Devi BalikaVidyalaya in the Badulla Educational Zone amounted to 14 and the number of teachers who had continuous service period between 08 years and 14 years amounted to 30.

5.13.3 Nephrology Unit of the Girandurukotte Hospital

One nurse and one attendant only had been attached to Nephrology Unit of Girandurakotte Hospital in which 200 patients approximately are being obtaining treatments per day and it was observed that they are serving in the same place since long period.

5.13.4 Human Resources Irregularly Released to Other Parties

A driver had been released to Uva Provincial Ministry of Education and Local Government for a three year period irregularly by Uva Provincial Department of Local Government.

5.13.5 Non-compliance with Recruitment Procedure

The following observations are made.

- (a) Recruitments of officers for 06 posts approved for the Uva Provincial Library Services Board by the letter No. DMSB/1/Uva/Mini/Corp/2 of Department of Management Services dated 06 September 2006, had not been made even by 08 October 2013 whereas 09 officers had been deployed in the services on temporary and casual basis with paying an allowance of Rs.500 daily from the income of Library Services Board and paying contributions of the Employees Provident Fund and Employees Trust Fund since long period.
- (b) The contributions of the chairman in order to achievement of objectives of the Provincial Library Services Board could not be ascertained in audit as any provisions on the role of the Chairman responsibility remuneration and service conditions had not stated in the Statute of Provincial Library Services Board in respect of the Chairman who appointed by the Uva Provincial Subject Minister of Education according to provisions (i) of the authority on appointments of Uva Provincial Statute of Library Services Board, drawn monthly remuneration of Rs.37,500 and used a vehicle belonging to Uva Provincial Council.

5.14. Bank Reconciliations

The unidentified debit balance in respect of 04 institutions had been Rs.1,179,972 and an unidentified credit balance in respect of 04 institutions had been Rs.4,100,588 in preparing Bank Reconciliations Statements.

5.15 Supervision of Local Authorities

In considering the following weaknesses in 28 Local Authorities located within the Uva Province under the supervision and the control of Provincial Council, it was observed that those monitoring functions had not been properly implemented.

5.15.1 Presentation of Financial Statements of Local Authorities

Out of the 28 Local Authorities within the Uva Province 06 Local Authorities only had been presented financial statements for the year under review on due date.

5.15.2 Arrears of Revenue

- (a) Rates and other income receivable to Local Authorities of Uva Province for the year under review and preceding years as at 31 December 2013 totalling Rs.6,072,910 had been in arrears.
- (b) Court fines and stamp fees revenue receivable to the Local Authorities of Uva Province in terms of provisions of Municipal Councils Act, No. 42 of 1979 and Urban Councils (Amendment) Act and Section 129(2) of Pradeshiya Sabha Act, No. 15 of 1987 , amounting to Rs.92,709,862 had not been received by the Local Authorities.

5.15.3 Money Recoverable in Respect of Surcharge Certificates Issued

A sum of Rs.7,384,154 was recoverable in respect of surcharges imposed on the officers and the members of the Local Authorities of Uva Province as at the end of the year.

6. Accountability and Good Governance

6.1 Corporate Plan

A Corporate Plan had not been prepared for three ensuing years from the beginning of the year 2011 in terms of the letter No. PF/R/2/2/3/5(4) of Director General of Public Finance dated 10 March 2010.

6.2 Internal Audit

Following observations are made.

- (a) Even though 01 Drugs Manufactory, 06 Ayurvedic hospitals, 20 Central Dispensaries and 02 Herbal Gardens had existed under the Department of Ayurveda, 06 Ayurvedic hospitals, 19 Central Dispensaries and one Herbal Garden had not been subjected to audit during the year under review.
- (b) A sum of Rs 300 Million had been allocated for 215 projects and special projects and continued works in respect of Road Maintenance and Road Rehabilitations and it was 8.6 per cent out of the total provision of the Provincial Council. An adequate internal audit had not been carried out within the institute in respect of monitoring this Capital Expenditure and also the internal audit programmes had not been prepared.

- (c) The internal audit had not been carried out during the year under review in any of the institutions out of 60 institutions including Department of Agriculture, Office of the Deputy Director of Agriculture, Office of the Assistant Director of Agriculture, and the offices of the Instructors of Agriculture.
- (d) An adequate internal audit had not been carried out in the office of the Deputy Provincial Director of Health Services, Badulla, 04 Base Hospitals, 51 District Hospitals, 27 Central Dispensaries implemented under Department of Health Services. Two internal audit reports of 02 institutions out of 95 institutions only had been received by the Auditor General during the year under review.
- (e) An adequate internal audit had not been carried out in the Local Government institutions of the Uva Province for the year under review.

6.3 Audit and Management Committee

Audit Committees in 15 Ministries and Departments of the Provincial Council to improve the financial prudence and financial management of the Provincial Council had not been established.

7. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Provincial Council Development Plan
- (d) Internal Audit
- (e) Supervision of Local Authorities
- (f) Personnel Management
- (g) Assets Management
- (h) Contract Management