

Eastern Provincial Council - 2013

The audit of financial statements of the Eastern Provincial Council for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Councils Act, No. 42 of 1987. This report is issued in terms of Section 23(2) of the Provincial Councils Act. A detailed report to be tabled in the Provincial Council on the observations appear in this report will be issued in due course.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Eastern Provincial Council’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Provincial Council’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Eastern Provincial Council as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Presentation of Financial Statements

- (a) The statement of changes in equity had not been presented as an integral part of the financial statements.
- (b) Progress relating to the presentation of other accounts of the Provincial Council for the year under review as at 31 May 2014 is given below.

Type of Account -----	Total number of accounts -----	Number of accounts presented -----	Number of accounts not presented -----
(i) Appropriation Accounts	34	34	-
(ii) Revenue Accounts	01	-	01
(iii) Advances to Provincial Public Officers Accounts	34	33	01
(iv) Commercial Advance Accounts	08	-	08
(v) Fund Accounts	02	01	01
(vi) Statute Accounts	02	01	01
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Total	<u>81</u>	<u>69</u>	<u>12</u>

2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The balances of 03 savings accounts of the Provincial Department of Revenue as at 31 December 2013 aggregating Rs. 667,440,011 relating to collection of stamp duty and court fines had not been shown in the financial statements for the year under review.
- (b) Various types of 580 vehicles belonging to 5 Provincial Ministries and 29 Provincial Departments had not been valued and brought to the accounts.
- (c) While computing the total value of non-current assets of the Provincial Council as at end of the year under review, the opening balance amounting to Rs.173,655,920 had not been taken into account. As a result, the total value of non-current assets as at the end of the year under review shown in the financial statements had been understated by the same amount.
- (d) Two balances of accounts payable aggregating Rs. 2,342,758 had not been separately shown in the financial statements as liabilities instead, the above balances had been set off against the total balance of receivables and the net balance had been shown in the financial statements. As a result, the balance of receivable had been under stated by the same amount.
- (e) According to the Notes to the Financial Statements, settlement of refundable deposits during the year under review amounted to Rs. 393,313,649. However, only a sum of Rs. 22,870,235 had been shown in the cash flow statement as cash outflows from deposits.

2.2.3 Unexplained Differences

The following observations are made.

- (a) A difference of Rs. 17,549,097 was observed between the balance shown in the financial statements and the balance shown in the records maintained by the Provincial Department of Health Service relating to Deposit Account. The reasons for difference had not been explained in audit.
- (b) A difference of Rs. 19,444,844 was observed between the amount shown in the financial statements and the amount shown in the records maintained by the Provincial Department of Health relating to the balances of the Imprest due from a Provincial Department. Details are given below.

- (c) A difference of Rs. 92,344,000 was observed between the amount shown in the financial statements and the amount shown in the records maintained by the Provincial Department of Revenue relating to collection of four items of revenue for the year under review.

2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Staff loan balances of nine institutions of the Provincial Council aggregating Rs. 35,811,107 had remained outstanding for over 4 years. However, action had not been taken to recover the outstanding balances from the sureties.
- (b) Action had not been taken by two Provincial Ministries and twenty three Departments to recover the outstanding loan balances aggregating Rs. 13,601,853 due from retired and interdicted officers and officers vacated their posts, from the sureties or from the retirement gratuity.
- (c) Outstanding loan balances aggregating Rs. 1,017,480 relating to 20 former members of the Provincial Council had remained unrecovered for over one and half years. However, action had not been taken by the Secretariat to recover the outstanding balances from the sureties or to take legal action against them.

2.2.5 Lack of Evidence for Audit

- (a) Answers for 49 audit queries issued during the year under review and the previous year had not been furnished up to 31 October 2014 and the value of computable transactions subjected to those queries amounted to Rs. 47,970,562.
- (b) The following evidence indicated against each items were not made available for audit.

Items	Amount	Evidence not made available for Audit
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	Rs.	
Vehicles	83,816,810	} Register of fixed assets, report of the Board of Survey, register of vehicles.
Furniture and Office Equipment	123,020,002	
Plant, Machinery and Equipment	36,797,807	
Building and Structure	668,254,031	
Land	5,426,390	Register of fixed assets, title deeds

2.2.6 Non-compliances with the provisions of laws, rules and regulations

The following non-compliances with the provisions of laws, rules and regulations were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

(i) FR 571	Action in terms of provisions had not been taken relating to deposits of 02 Provincial Ministries and 06 Departments aggregating Rs. 16,323,628 remained over two years.
(b) Financial Regulations of the Eastern Province	

(i) PFR 215	All imprest should be returned to the Provincial Treasury on the first working day of next financial year. However, Imprest balances aggregating Rs. 10,340,292 as at 31 December 2013 had remained unsettled up to 31 October 2014 by 03 Provincial Departments.
(ii) PFR 258.3	The Consolidated Annual Revenue Statement and Consolidated Arrears of Revenue Statement of the Eastern Province should have been rendered to audit on or before 30 April 2014. However, those consolidated statements for the years from 2008 to 2013 had not been rendered to audit even up to 31 October 2014.
(iii) PFR 326.2	The Consolidated Fixed Assets Utilization Statement as at 31 December 2013 should have been rendered to audit on or before 30 April 2014. However, the above consolidated statement had not been prepared and submitted to audit even up to 30 October 2014.

- (iv) PFR 365 Annual Boards of Survey had not been carried out for the year under review by 05 Departments.
- (c) Government Procurement Guideline – 2006

(i) Chapter 2.8.2 The Technical Evaluation Committee should be consisted at least three members so as to enhance the transparency of the Government procurement process. However, the Provincial Department of Road Development had appointed only a single member to the Technical Evaluation Committee relating to District Office, Batticaloa and awarded 22 contracts at the total estimated value of Rs. 20.6 million.
- (d) Circular

(i). Public Administration Circular

• No. 09/2007 dated 11 May 2007. According to the circular provisions, the salary of retired public officers for the post of Chairman and Working Director was Rs. 20,000 and Rs. 17,500 respectively. However, Per-school Education Bureau had paid a sum of Rs. 35,000 as salary for Chairman and a sum of Rs. 30,000 as salary for Working Director. Accordingly the Bureau had overpaid a sum of Rs. 1,654,500 as salaries for 03 retired public officers from the year 2010 to year 2013.
- No. 09/2007(I) dated 21 August 2007 According to the circular provisions, no person beyond 67 years of age should be appointed to an approved post in the Public Service for whatever reason. However, a person aged 69 years had been appointed as Working Director on 01 June 2010 by the Per- school Education Bureau. In this regard a sum Rs. 1,290,000 had been paid as salaries for the above Working Director.

(ii). National Budget Circular

- Circular No.156 dated 16 February 2012
Even though it was instructed that incurring expenditure for activities such as printing of invitations, diaries, greeting cards etc. should be limited, contrary to this, greeting cards and diaries had been printed by the Provincial Treasury and Council Secretariat in 02 instances by spending Rs. 3,438,000.

- Provincial Treasury Circular
No.PT/09/2013 dated 02 December 2013
Annual deposit reconciliation statement with regard to miscellaneous deposits aggregating Rs. 56,888,623 existed as at 31 December 2013 had not been rendered to audit.

- No.PT/11/2013 dated 23 December 2013
Sums aggregating Rs. 231,722,276 spent for capital expenditure by 04 Ministries and 07 Departments during the year under review had not been shown in the Accounts under Movement of Non - current Assets.

3. Revenue Management

According to the information made available for audit, the total income collected during the past 05 years is given below.

Particulars	For the year ended 31 December				
	2013	2012	2011	2010	2009
	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.
Tax Income	1,860	1,496	1,354	951	137
Non Tax Income	288	309	198	224	255
Total	2,148	1,805	1,552	1,175	392

The following observations are made in this regard.

- (a) According to the Revenue Estimate prepared by the Provincial Council for the year 2013, revenue estimated from liquor license fees amounted to Rs. 30,000,000. However, only a sum of Rs. 15,211,496 had been collected during the year under review as liquor license fees.
- (b) The provincial Council had not possessed particulars of authorized liquor dealers functioning within the Province. As a result, the Provincial Council could not take proper action to collect the license fees from all the authorized dealers functioning within the Province.
- (c) The collection of revenue had significantly declined during the year 2013 as compared with the year 2012 as details given below. The Provincial Council could not take action against the defaulter of license fees due to non availability of information regarding the authorized dealers who are not paid license fees.

Name of the District -----	Amount collected during the year -----	
	2013 ----- Rs.	2012 ----- Rs.
Ampara	2,218,625	4,891,500
Batticaloa	<u>12,992,871</u>	<u>16,665,538</u>
Total	<u>15,211,496</u>	<u>21,557,038</u>

- (d) Fines imposed by the courts situated within the area of local authorities according to the statutory provisions and the stamp duties imposed relating to transfer of properties had been retained by the Provincial Council without being remitted to the respective local authorities as those local authorities had not made request for it. In this regard, a sum of Rs. 667,440,011 had been lying in the savings accounts of the Provincial Department of Revenue as at 31 December 2013 without being remitted to the relevant local authorities.
- (e) Forty four local authorities functioning in the Eastern Province had not taken meaningful action to collect the income totaling Rs. 477,402,104 remained arrears as at 31 December 2013 from the major sources of income such as rates, rents, lease etc. Details are given below.

Local Authority -----	No. of Local Authorities -----	Total amount of arrears -----
		Rs.
Municipal Councils	3	158,766,597
Urban Councils	5	148,675,423
Pradeshiya Sabhas	<u>36</u>	<u>169,960,084</u>
Total	<u>44</u>	<u>477,402,104</u>

4. Financial Review

4.1 Financial Results

According to the financial statements presented, there was a deficit of Rs. 16,049,131 in the Provincial Council Fund for the year under review as compared with the corresponding deficit of Rs. 321,296,432 for the preceding year, thus indicating an improvement of Rs. 305,247,301 in the financial results. Increase in the receipt of block grant by Rs. 1,328,996,000 and receipt of stamp duty by Rs. 228,144,971 in the year under review had mainly attributed for the improvement in the financial results.

4.2 Analytical Financial Review

Total expenditure of the Provincial Council for the year under review was Rs. 21,050 million and out of this, a sum of Rs. 14,042 million had been incurred for recurrent expenditure and it represented 67 per cent of the total expenditure. Out of the total recurrent expenditure, a sum of Rs. 11,176 million had been incurred for personal emoluments and it represented 79 per cent of the total recurrent expenditure and the corresponding recurrent expenditure for the preceding year amounted to Rs. 12,807 million and it represented 92 per cent of total expenditure for that year. Further, the increase of capital expenditure for the year under review by Rs. 5,873 million as compared with the preceding year, had mainly attributed for the increase in the total expenditure for the year under review.

5. Operating Review

5.1 Management Inefficiencies

- (a) Although estimates for 08 Commercial Advance Account Activities had been prepared by the Provincial Treasury, only 03 Commercial Advance Account Activities were in operations. In this regard, action in terms of Provincial Financial Rule No. 286 had not been taken to wind up the Commercial Advance Account Activities which were not in operation.

- (b) The Eastern Province Road Passenger Transport Authority had spent a sum of Rs. 1,680,000 to develop Computerized Transport Management System and Timetable Demonstrator Board System. However, those systems had not been launched by the Authority up to the date of audit on 17 October 2014 due to lack of hosting facilities. Therefore, expenditure incurred for developing those systems had become a fruitless expenditure.
- (c) The Provincial Department of Land Administration and the Provincial Department of Education had purchased 56 desktop computers at the total cost of Rs. 4,386,000 including the cost for 56 license keys (Genuine licenses and manuals with DVD - OEM Genuine). However, those license keys had not been supplied by the supplier according to the specification. Therefore, a sum of Rs. 1,204,000 had been overpaid to the supplier as the market price of one Genuine License Key was Rs. 21,500.
- (d) Income of the following 05 Divisional Secretariats totaling Rs. 76,875,109 relating to lease income for government lands had remained arrears from year 2009 up to 31 December 2013. However, proper action had not been taken to recover those arrears income.

Name of the Divisional Secretariat -----	Arrears of Income up to 31 December 2013 -----
	Rs.
Kalmunai	215,000
Sammanthurai	513,975
Manmunai North	224,968
Town and Gravets	11,422,260
Kuchchaweli	<u>64,498,906</u>
	<u>76,875,109</u>

5.2 Operating inefficiencies -----

- (a) Excess drugs had been obtained by the Office of the Regional Medical Supplies Division, Trincomalee without considering the actual requirement. As a result, drugs valued Rs.671,750 had expired and those expired drugs had been kept at the stores up to the date of audit inspection on 11 December 2013.
- (b) It was observed at the field inspection carried out on 13 August 2013 that twelve types of quality failed drugs valued at Rs.4,844,631 had been kept at the stores of the Base Hospital, Muthur without taking action to return them to the Office of the Director, Medical Technology and Supplies Division or taking suitable method.

- (c) It was observed at the field inspection carried during the years 2012 and 2013 that nine type of quality failed drugs valued at Rs. 2,587,200 had been kept at the stores of the Regional Medical Supplies Division, Trincomalee without taking action to return them to the Office of the Director, Medical Technology and Supplies or taking suitable method.
- (d) Hospitals such as Vanella, Muthur, Kinniya, Kachchakodithivu and Naduooththu had obtained excess drugs without considering the actual requirement. As a result drugs valued Rs. 3,378,355 had expired and those expired drugs had remained at the store up to the date of audit inspection on 14 August 2013.

5.3 Development and Improvement of Provincial Roads

The following observations are made.

- (a) The contract awarded by the Provincial Department of Road Development to renovate the Ferry Ramp Kurukkalmadam Ampilanthurai at the value of Rs. 519,100 on 06 March 2013 to be completed on or before 11 June 2013. However the construction work had not been commenced even up to 30 November 2014. Even though the contractor has failed to commence the work within the agreed period, the Department had not taken action to encash the performance bond from the relevant Bank.
- (b) Even though the Chief Engineer Road Development Department, Batticaloa had certified that the contracts awarded for improvement of the following nine provincial roads had been completed within the due date of completion, the storekeeper of the Road Development Department, Batticaloa had issued bitumen to the relevant nine contractors after the date of completion of relevant works. Therefore, 21,635 liter of bitumen valued at Rs. 2,120,230 issued by the storekeeper had not been utilized for the purpose for which they were issued.

Nature of the Work -----	Date of Completion according to the certification made by the Chief Engineer -----	Date of issue of Bitumen according to the statement obtained from the Store Keeper -----	Quantity of Bitumen issued after the date of Completion of Works. ----- Liters
Maintenance of Thuraineelavanai Ferry Road	24 Dec. 2013	26 Dec. 2013	2,160
Maintenance of Rosairo Road	02 Jun. 2013	11 Jun. 2013	575
Kaluwanchikudi kurumanvelly Ferry	08 Oct. 2013	20 Nov. 2013	900
Kudiyekuruppu kalikowil Road	05 Oct 2013	01 Nov. 2013	1,620
Onthachimadam Mahilour Kurumanvly	05 Dec. 2013	26 Dec. 2013	1,620
Parthive Palugamam Thump	24 Dec. 2014	17 Jan. 2014	1,620
Milankarachchi Road	12 Nov. 2013	23 Dec. 2013	6,120
Robertson Road	10 Dec. 2013	11 Dec. 2013	2,340
Pankudahvelly Road	29 Nov. 2013	20 Dec. 2013	4,680
Total			----- 21,635 =====

5.4 Transaction of Contentious Nature

According to the Government Procurement Guideline – 2006 issued in January 2006 with the approval of the Cabinet of Ministers, the Technical Evaluation Committee should consist at least three members so as to enhance the transparency of the Government Procurement Process. However, the Provincial Treasury had violated the Cabinet approved Procurement Guidelines and given room for malpractices in the procurement process by issuing a Circular No. PT/09/2010 dated 17 July 2010 in which it was pointed out that a single member could be appointed for the Technical Evaluation Committee when the value of civil work is less than Rs. 2 million and the value of good and supplies is less than Rs. 500,000.

5.5 Underutilization of Funds

The details of provisions obtained for development work proposals of the Provincial Council and the expenditure incurred thereon appear below.

Source	Government Grant	Actual Expenditure	Savings
-----	-----	-----	-----
	Rs.Mn.	Rs.Mn.	Rs.Mn.
Criteria Based Grant	245	130	115
Provincial Specific Development Grant	1,000	600	400
Other Grants	<u>6951</u>	<u>6,089</u>	<u>862</u>
	<u>8,196</u>	<u>6,819</u>	<u>1,377</u>

The following observations are made, in this regard.

- (a) The entire net provisions amounting to Rs. 100,000,000 made under Health Sector Development Projects during the year under review had been saved without utilizing for the intended purposes.
- (b) Provisions amounting to Rs. 400,000,000 representing 40 per cent of the total provisions made under Provincial Specific Development Grant had been saved. As a result, the opportunities given by the Government through the budgetary provision for carrying out its development activities had not been utilized properly by the Provincial Council.

5.6 Resources given to other Government Institutions

- (a) An Excavator Kobelco valued at Rs. 11,000,000 belonging to the Provincial Department of Road Development had been released to the Office of the Regional Director of Irrigation in Ampara on 31 March 2011 on a request made by the Regional Director of Irrigation, Ampara and agreed to pay a hire charge of Rs. 3,500 per hour plus travelling, wages of operator and fuel. The following observations are made in this regard.
 - According to the statement obtained from the Director of Irrigation in Ampara, the relevant excavator had been used for 569 hours from 1 April to 30 November 2011. However, the Road Development Department had not taken action to obtain the hire charges amounting to Rs. 1,991,500 from the Director of Irrigation, Ampara as agreed by him.
 - Even though the Excavator had been released to the Director of Irrigation in Ampara, based on his request, it had not been returned back to the Road Development Department after utilizing for the purpose for which it was released.

- According to the audit inspection carried out on 25 September 2014, it was observed that the relevant excavator had been parked at the premises of the Office of the Water Board, Akkaraipattu in an unusable condition.
 - Even though the Department of Road Development had spent very large amount of public money to purchase the Excavator, the Department was unaware of the existence of this Excavator.
- (b) The Provincial Department of Irrigation had purchased a Barge Mounted Excavator Kobelco on 14 February 2011 at a cost of Rs. 19,628,116 so as to solve several irrigation related problems in the Eastern Province and also to add additional 8,000 acres of paddy land for cultivation in the Addalachchenai Region. The following observations are made in this regard.
- Even though the Excavator had been released to the Director of Irrigation in Ampara, based on his request, it had not been returned back to the Road Development Department after utilizing for the purpose for which it was released.
 - According to the agreed condition for releasing the Excavator to the Provincial Department of Irrigation, Ampara, the Provincial Irrigation Engineer (Thambiluvil Division) should have periodical inspection and report to the Provincial Department of Irrigation. However, periodical inspection had not been carried out accordingly.
 - One of the purposes for purchasing of this excavator is to add additional 8,000 acres of paddy land for cultivation. However, the purpose had not been achieved up to now even though a period of 04 years had elapsed after the purchase of the excavator.

5.7 Personnel Administration

Information relating to approved cadre and actual cadre of the Provincial Council as at 31 December 2013 appears below.

(a) Ministries/Departments of the Provincial Council

	Approved	Actual	Vacancies
Senior Level	1,598	1,242	356
Tertiary Level	1,600	1,260	340
Secondary Level	24,766	24,221	545
Primary Level	<u>7,196</u>	<u>6,293</u>	<u>903</u>
	<u>35,160</u>	<u>33,016</u>	<u>2,144</u>

(b) School Staff

District	Approved Cadre		Actual Cadre		Excess	Shortage	
	Principal	Teachers	Principal	Teachers	Teachers	Principal	Teachers
Trincomalee	342	4,496	230	4,532	104	112	68
Batticaloa	425	5,585	365	5,567	30	60	48
Ampara	<u>514</u>	<u>7,007</u>	<u>419</u>	<u>7,566</u>	<u>587</u>	<u>95</u>	<u>28</u>
Total	<u>1,281</u>	<u>17,088</u>	<u>1,014</u>	<u>17,665</u>	<u>721</u>	<u>267</u>	<u>144</u>

The following observations are made in this regard.

- (i) The shortage of staff of the Provincial Council as at the end of the year under review stood at 2,144. However, no meaningful action had been taken to fill the vacancies.
- (ii) Even though there were 255, 171, 98 and 77 excess teachers at the Zonal Education Offices such as Kalmunai, Amparai, Akkarapattu and Kinniya respectively, action had not been taken to fill the shortage of 48, 37, 28 and 22 teachers existed at the Zonal Offices, Kalkuda, Trincomalee, Mahaoya and Trincomalee North respectively by transferring teachers from the schools where teachers are in excess.
- (iii) According to the information made available to audit, there were 55 excess labourers at the Zonal Education Office, Kalmunai as at 1 January 2013. However, action had not been taken to transfer those excess labourers to the Zonal Offices where vacancies existing for labourers.
- (iv) One hundred and ten teachers belonging to the Sri Lanka Teachers Service consisting of 51 persons from Eravur, 21 persons from Thirukkivil, 15 persons from Trincomalee, 11 persons from Paddiruppu, 10 persons from Samanthurai and 2 persons from Batticaloa had performed as principals for more than 2 years for vacancies existed at 110 schools. However, action had not been taken to fill the vacancies, existed for the post of principals.
- (v) Even though total number of vacancies for Principals in the Eastern Province as at 31 December 2013 was 267, officers possessing principal grade had performed as teachers in several schools. However, action had not been taken to appoint the qualified persons for their suitable posts.

- (vi) Excess and shortage of Teachers for core subjects such as Mathematics, English and IT had existed at the following Zonal Educational Offices but action had not been taken to balance the excess carder against the shortage carder within the Province.

Educational Zone	Mathematics		English		IT	
	Excess	Shortage	Excess	Shortage	Excess	Shortage
Kinniya	-	11	04	-	-	26
Samanthurai	06	-	-	15	19	-
Thirukkovil	01	-	03	-	05	-
Eravur	-	12	-	35	-	15
Trincomalee	-	04	09	-	-	16
Kannankudah	-	20	-	31	-	11
Paddirippu	-	59	-	08	-	15
Batticaloa	-	<u>23</u>	-	<u>42</u>	-	<u>27</u>
Total	<u>07</u>	<u>129</u>	<u>16</u>	<u>131</u>	<u>24</u>	<u>110</u>

5.8 Bank Reconciliation

Action in terms of FR 396 had not been taken with regard to 98 unrepresented cheques to the value of Rs. 675,241 issued by 02 Provincial Ministries and 10 Provincial Departments.

6. Accountability and Good Governance

6.1 Action Plan

The Provincial Council and each of its ministries, departments and other institutions had not prepared action plans for the year under review.

6.2 Audit and Management Committee

The Audit and Management Committee should meet at least once a quarter in terms of paragraph 06 of the Management Audit Circular No.DMA/2009(1) dated 09 June 2009. However, Audit and Management Committee meeting had not been held in 22 Provincial Departments during the year under review.

6.3 Procurement Plan

The Provincial Ministries, Departments and Institutions of the Provincial Council had not prepared Procurement Plan for the year 2013 in terms of the National Budget Circular No.128 dated 24 March 2006.

6.4 Tabling of Annual Report

Although the elected Eastern Provincial Council had assumed its functions with effect from 10 May 2008, the report of the Auditor General on the financial statements of the Provincial Council for the year 2011 and 2012 had not been tabled at the Assembly of the Council up to 30 October 2014 in terms of Section 23 (2) of the Provincial Councils Act No. 42 of 1987.

6.5 Observations on unsettled Audit Paragraphs.

A sum of Rs. 2,000,000 had been paid during the year 2008 as an advance out of the Provincial Funds for conducting Korean language class to 250 unemployed youths in Batticaloa district. However, the Korean language classes were suspended and courses had not been completed as envisaged and the advance paid to former Secretary to the Chief Minister had not been recovered even up to 31 October 2013. In this regard the Provincial Public Accounts Committee had given direction on 14 October 2013 to the Secretary to the Chief Minister to submit a comprehensive and progressive report within one month. So far the report had not been submitted to the Committee.

7. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Debtors and Creditors Control
- (d) Contract Administration
- (e) Utilization of Vehicles
- (f) Personnel Administration