

Uva Provincial Council – 2014

The audit of financial statements of the Uva Provincial Council for the year ended 31 December 2014 comprising the statement of financial Position as at 31 December 2014 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.

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 judgement, 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 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 Provincial Council’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of 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 Uva Provincial Council as at 31 December 2014 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 Provincial Council Fund

The Provincial Council Fund Account for the year under review had been presented to audit on 27 March 2015.

2.2.2 Other Accounts

The progress of presentation of other accounts of the Provincial Council for the year under review as at 31 March 2015, is given below.

	<u>Relating to the year 2014</u>			
	Total Number of Accounts	Number of Accounts Presented	Number of Accounts not Presented	Number of Accounts not Presented relating to Previous Years
	-----	-----	-----	-----
(i) Appropriation Accounts	27	25	02	-
(ii) Advances to Provincial Public Officers Accounts	28	26	02	-
(iii) Commercial Advance Accounts	09	07	02	-
(iv) Fund Accounts	10	05	05	27
(vi) Statute Accounts	02	-	02	09

2.2.3 Provincial Council Consolidated Financial Statements

(a) The current account maintained in the People's Bank Branch of Badulla Muthiyangana named as Uva Province Social Services Fund had been closed down and a sum of Rs.53,748 remained in that account had been sent to the Chief Secretary of Uva Provincial Council on 14 March 2012. Eventhough there was no balance in this account since 11 August 2011, a balance of Rs.46,252 in the Social Services Fund had been shown in the financial statements of the Uva Provincial Council for the year under review as an asset. As a result the assets balance shown in the financial statements as at 31 December 2014 had been overstated by Rs.46,252.

- (b) According to the Consolidated Income Statement of the Uva Provincial Council for the year ended 31 December 2014, presented to audit, the net outstanding revenue as at the end of the year under review shown as Rs.75,544,161 whereas according to the financial statements of the Uva Provincial Council the outstanding revenue was shown as Rs.93,243,837 thus indicating a difference of arrears of revenue as at 31 December 2014 amounting to Rs.17,699,676.
- (c) The interest of Rs.49,623 credited by the Bank to the Savings Account opened in the name of the Chief Secretary of the Uva Provincial Council in the Bank of Ceylon Branch Badulla in respect of payment of leasing installments of Motor Vehicles purchased on leasing basis by the Provincial Council had not been disclosed in the financial statements of the Provincial Council in the year under review.
- (d) Stamp duty income retained in the collection account collected by the Provincial Department of Revenue during the year under review but not remitted to the Provincial Council Fund amounted to Rs.81,700 and it had not been disclosed in the financial statements as a receivable income thus understating the stamp duty income by Rs.81,700.
- (e) The Turnover Tax income collected by the Commissioner of Uva Provincial Department of Revenue during the year, including the balance of Rs.47,000 as at 01 January 2014 amounting to Rs.3,800,665 had been shown as Rs.3,326,361 in the consolidated financial statement of the Provincial Council thus understating the Turnover Tax income by Rs.474,304. A sum of Rs.93,300 included in that revenue had not been remitted to the Provincial Council Fund on 31 December 2014.
- (f) A sum of Rs.38,098,072 receivable from 6 approved Advance Accounts activities as at 31 December 2014 and the unsettled balances relating the years 2005, 2006 and 2007 in the Uva Provincial Mechanical Director's Office amounting to Rs.3,962,376 had not been settled even during the year under review.
- (g) According to the letter dated 27 August 2012 sent by the Registrar of the Uva Provincial High Courts to the Accountant of the Provincial Council Chief Secretaries Office in respect of cash fraud occurred in the Finance Division of the Uva Provincial Council in the year 1990, it was informed that as case records prior to the year 2006 had been destroyed after being published in the Government Gazette and finding information in this regard was difficult. Accordingly, it was observed that as it was informed the audit by the Finance Division of the Provincial Council that there was a Court Case and stating on the financial statement about this fraud had been done without any understanding about the present position of this Court Case.
- (h) The balance of the Seeds Potatos account as at 31 December of the year under review amounting to Rs.41,011,755 was shown in the financial statements of the Provincial Council as assets for more than 10 years. This balance should be recovered from responsible officers monthly installment but the recoverable percentage during the year under review and the past 5 years had been at 05 per cent and as such it was observed that the recovery process is not properly carried out.

- (i) More than 10 years had elapsed for the cash fraud occurred in the Department of Agriculture and the unsettled balance included in the financial statements as at 31 December 2014 amounted to Rs.440,990.
- (j) According to the financial statements of the Uva Provincial Council for the year under review the overall recurrent and capital expenditure amounted to Rs.13,869,334,026 and Rs.4,447,953,952 respectively. According to the appropriation accounts presented to audit by each Ministry, Department and Offices, the overall recurrent and capital expenditure amounted to Rs.13,705,074,171 and Rs.4,453,696,237 this indicating difference of Rs.164,259,855 and Rs.5,742,285 between the recurrent and capital expenditure respectively.

2.2.4 Accounting Policies

It was disclosed under accounting policies that the financial statements of the Uva Provincial Council presented to audit had been prepared on cash basis used by the International Public Sector. Nevertheless, it was observed that assets, liabilities, income and expenditure included in the financial statements had been brought to accounts without a specific basis.

2.2.5 Unreconciled Control Accounts

- (a) A difference of Rs. 94,143,750 was observed between the balances of loans and advances to Provincial Public Officers Accounts shown in the consolidated financial statements of the Provincial Council as at 31 December 2014 and the balances shown in the loans and advance accounts presented by 06 offices, Ministries and Departments of the Provincial Council.
- (b) A difference of Rs.4,200,483 was observed between the unsettled imprest balances shown in the consolidated financial statements of the provincial council as at 31 December 2014 and the balances of imprest accounts of 9 Offices, Ministries and Departments of the Provincial Council.
- (c) A difference of Rs.6,147,090 was observed between the general deposit balances shown in the consolidated financial statements of the provincial council as at 31 December 2014 and the balances in the general deposits accounts of 3 Offices, Ministries and Departments.

2.2.6 Imprest Accounts

The total unsettled imprest balances relating to 27 Offices, Ministries and Departments including 09 Divisional Secretariats as at 31 December 2014 amounted to Rs.36,160,493.

2.2.7 General Deposit Accounts

- (a) Balances of deposits accounts of 29 Offices, Ministries and Departments of the Provincial Council elapsed for more than 2 years as at 31 December 2014 totalled

Rs.62,357,559. Action had not been taken to clear these balances in terms of Financial Regulation 571.

- (b) Action in terms of Financial Regulation 571 (2) had not been taken in respect of 4 deposits valued at Rs.97,185 made from September 2011 to September 2012 in the Madulla Divisional Secretariat.

2.2.8 Advances to Provincial Public Officers Account

- (a) In terms of paragraphs 3.1 and 3.2 of the Budget Circular No.118 of 11 October 2014 and the Circular No.2004/01 dated 08 January 2004 of the Uva Chief Secretary, loan balances of 36 Officers amounting to Rs.1,131,024 who had gone on transfer to the Ministries, Departments and Offices of the Central Government or to another Provincial Council from the Provincial Council should be recovered at once or to bring down the loan installments and interest thereon monthly. Action had not been taken accordingly. In addition, action had not been taken to settle the loan balances of 15 Officers amounting to Rs.344,022 who had come on transfer to this Provincial Council from each government Ministries, Departments, Offices or from the Provincial Councils at once or by installments of the loan balances and interest monthly.
- (b) Loan balances of Rs.5,799,903 recoverable from 218 officers who had vacated their posts, interdicted, deceased or retired had not been recovered from the retirement gratuity or sureties or getting advice from the Attorney General in terms of Section 4.2, 4.5 and 4.6 of Chapter XXIV of the Establishments Code.
- (c) Action had not been taken to recover even from the suretees the loan balances of Rs.329,531 unrecovered from 3 deceased Provincial Councilors.

2.2.9 Lack of Evidence for Audit

- (a) Transactions totalling Rs.2,994,038 could not satisfactorily vouched in audit due to non - rendition of required information for audit.
- (b) In making the Chief Secretary's Office under Special Management, new equipment had been obtained to the office. As a statement in respect of disposed office equipment had not been prepared, the quantities of disposed office equipment could not be checked in audit.

2.2.10 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed in audit.

Reference to Laws, Rules and Regulations	Amount	Non-compliance
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	Rs.	
(a) <u>Establishments Code</u>		
(i) Section 12 of Chapter VII	81,496	An officer in the Probation Officer II post at Badulla probation office had been acting in the Probation Officer I post at Badulla and Mahiyanganaya probation offices and acting allowances from January to August 2014 had been obtained for acting in both posts.
(ii) Section 12.2.1 and 12.2.2 of Chapter VII and Section 113 of Chapter IX of the Uva Provincial Public Service Administrative Rule	105,373	Although an officer can be appointed to act in a post which is parallel to that post or to an immediate lower post. Contrary to that, a Secretary to a Ministry who served in a higher post and entitled to SL-3-2006 of 06/2006 salary scale had been appointed to act in the post of Provincial Land Commissioner to which SL-1-2006 of 06/2006 salary scale of the Public Administration Circular No.06/2006 was entitled, with effect from 09 July 2013 and acting allowance had been paid to him for the period from January to October 2014.
(iii) Section 10 of Chapter VIII	70,605	Holiday pay had been obtained by the Staff Officers in the Deputy Chief Secretary's Office (Personnel and Training) in the year under review contrary to the provisions.
(iv) Section 5 of Chapter XIX	6,187,186	House rent had not been recovered from officers resided in official quarters, controled under the office of the Deputy Director of Health Services in Badulla for the period from 2009 to 2014.
(v) Section 5.3.1 of Chapter XIX	-	Although the house rent of 10 per cent from the monthly salaries of officers who are entitled for schedule quarters should be recovered, a nominal monthly rental of Rs.500 was being

recovered from the Secretaries and Deputy Chief Secretaries who were entitled to schedule quarters since 01 August 2008, contrary to that provisions.

(vi) Sections 5.4 and 5.4.1 of Chapter XIX

- House rent had not been recovered from 77 government quarters belonging to the Bibila Zonal Education Office in terms of provisions in the Establishments Code.

(vii) Section 6.1 of Chapter XIX

- (a) Eventhough only 5 years can be occupied in a government quarters, an officer who worked in the office of the Monaragala Deputy Provincial Director of Health Services had occupied the bachelor quarters belonging to the Monaragala Zonal Education Office for 13 years and 6 months by 14 November 2014. As such it was observed in audit that the opportunity to occupy this house by several officers had been deprived.

(b) It was observed that two officers in the Uva Province Department of Education had occupied Government quarters from 07 to 17 years in excess of the lease period.

(b) Uva Provincial Financial Rules

(i) Financial Rule 137.3

24,288

An over payments had been made for the supply of Security Service to the Mahiyanganaya Base Hospital in excess of the agreed amount for the period from January to March 2014.

(ii) Financial Rule 216.1

13,898,258

This amount sent by each Ministry, Departments and Offices to the Deputy Chief Secretary (Personnel and Training) for the foreign training programs in the years 2013 and 2014 had been retained in the general deposit account and spent for foreign training programs in the year 2015.

(iii)	Financial Rules 237(6)	1,132,075	Without stock certificates for the receipt of goods in certifying the payment for stores supply in Six Divisional Secretariats, payments had been made on 53 vouchers.
(iv)	Financial Rule 751.1	-	Goods and Materials of 16 types, totalling 4677 units received to the Uva-Paranagama, Bandarawela and Haliela Divisional Secretariats from the Uva Province Ministry of Education had not been posted to the stock books.
(v)	Financial Rule 846.1	117,347	Eventhough 25 telephone connections had been purchased from a private telecommunication company by the Uva Province Road Development Department and monthly bills had been settled the approval of the Chief Secretary, Uva Province had not been obtained therefor.
(c) Public Administration Circulars			
(i)	Circular No.14/2008 of 26 June 2008	54,029	The co-ordinating Secretary of the Uva Province Chief Secretary who obtained monthly transport allowance, 2992 liters of fuel had been used by using pool vehicles, contrary to paragraph 11 of the circular.
(ii)	Circular No.09/2009 of 16 April 2009	-	Arrival and departure of officers in 4 Offices, Ministries and Departments of the Provincial Council had not been supported by finger print machine.
(iii)	Circular No.09/2009 of 16 April 2009	1,296,194	Eventhough the duty hours for overtime and holiday pay should be supported by finger print machines, contrary to that office staff of the Deputy Chief Secretary's Office (Personnel and Training) had obtained overtime allowance and holiday pay.

(d) Treasury Circulars

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- | | | | |
|-------|---|---------|---|
| (i) | Section 1.2.1 (d) of the Procurement Guidelines | - | In obtaining Security and Sanitary Services for the Uva Provincial Council complex, including offices belonging to the Provincial Council for the year 2014 action had been taken to deviate from such objectives as giving the fair, equivalent and maximum opportunities to interested parties with qualifications. |
| (ii) | Section 2.8 of the Procurement Guidelines | - | A technical evaluation committee had not been appointed by the Uva Province Education Ministry in respect of purchase of mathematical instruments for the Mahindodaya Technological Labs. |
| (iii) | Section 2.14 of the Procurement Guidelines | - | Although the suppliers should be selected by obtaining quotations at least from 3 suppliers under the shopping method the Provincial Department of Agriculture had not taken action accordingly in 13 instances in the year 2014. |
| (iv) | Section 8.9(b) of the Procurement Guidelines | 208,310 | Provision of sanitary services to the Uva Provincial Department of Ayurveda from 01 January to 26 February 2014 had been given to a certain company without a formal agreement. |

(e) Other Circulars

-
- | | | | |
|------|---|---------|--|
| (i) | Circular No.04/10 of 01 August 1996 of the Commissioner General of Lands | - | The list of tax collectors, control account, outstanding control account by establishing tax units in the Badulla and Haputhale Divisional Secretariats had not been maintained in an updated manner. |
| (ii) | Letter No.අ.ම.ස.73/2006 dated 20 September 2006 of the Uva Provincial Chief Secretary and the Secretary to the Cabinet of Ministers | 580,000 | A maximum combined allowance of Rs.10,000 per month can be paid to a Provincial Council Ministers for official travels. Nevertheless, monthly travelling allowance at Rs.20,000 had been paid to the Minister of Uva |

Provincial Agriculture, Agrarian Development Animal Product, Fresh water Fisheries, Environment and Tourism for the period from September 2009 to June 2014.

2.2.11 Transactions not Supported by Adequate Authority

Contrary to the Uva Province Financial Rule 503, the maximum limit of debit balances in 4 advance account items had exceeded by Rs.63,047,324 and the maximum limits of receipts in 7 items had decreased by Rs.76,323,592.

3. Revenue Management

The following observations are made.

- (a) A lease rental of Rs.184,711 and a fine of Rs.24,593 in respect of lands given on lease basis under the annual license method by 6 Divisional Secretariats of Ella, Badulla, Uva Paranagama, Passara, Saranathota and Haliela had not been recovered by the end of the year under review.
- (b) Lease rental of Rs.13,229 collected by Grama Niladharis during the period from 2008-2012 for 4 leases given by the Haputale Divisional Secretariat under the annual license had not been handed over to the Divisional Secretariats.
- (c) Annual lease rent installments/ fines amounting to Rs.5,961,493 and the interests thereon amounting to Rs.556,259 had not been recovered from 48 lessees to whom lands had been leased out on long term basis by the Badulla, Uva Paranagama, Haputale and Bandarawela Divisional Secretariats.
- (d) The annual license fees installments/ rental amounting to Rs.9,937,073 from 14 tenants had been under recovered by the Haputale and Haliela Divisional Secretariats.
- (e) A telecommunication post had been set up and operated by a Private Telecommunication Company since 2007 in the Alubogolla state land at Janathapura Grama Niladhari division belonging to the Lunugala Divisional Secretariat. As the lease agreement had not been given up to December 2014 relating to the land, any lease rental whatsoever had not been recovered for the utilization of a state land.
- (f) The highest quotation of Rs.7,030,000 submitted by the tenderer in calling for quotations for the No.2 toddy tavern toll Lunnugala for the year 2014 by the Divisional Secretariats had been less than the assessed value of Rs.9,500,000 of the Commissioner General of the Exise. Without negotiating with the tenderer to take the toddy toll at the assessed value or to re-sale the toddy toll as per tender notice the tender had been awarded to the tenderer who quoted the highest bid at Rs.8,500,000 which was 10 per cent less than the assessed value. As a result selling it to the tenderer who quoted the highest price, the

government had deprived of a license income by Rs.1,000,000 which would have been received.

- (f) In issuing liquor licenses for the period from 2008-2015 by the Divisional Secretariat Haldammulla, License fees of Rs.235,000 had been under recovered from licenses given to two license holders and a fine of Rs.3300 had not been recovered in 5 instances for delayed payments. As such the loss incurred due to non-recovery of license fees and fines totaled Rs.238,300.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, the surplus of the Provincial Council Fund for the year ended 31 December 2014 amounted to Rs.711,759,187 as compared with the surplus of Rs.20,446,949 for the preceding year.

4.2 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.

Income relating to Provincial Council Items	<u>Income</u>					
	<u>Budgeted</u>	<u>2014 Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2013 Actual</u>	<u>Variance</u>
	Rs	Rs	Rs	Rs	Rs	Rs
Tax Income	2,102,456,000	2,051,316,974	(51,139,026)	2,241,565,000	1,757,156,247	(484,808,753)
Non-tax Income	277,544,000	545,164,047	267,620,047	247,845,000	404,555,653	156,710,653
Government Grant	19,380,202,600	16,432,566,144	(2,947,636,456)	15,311,208,000	14,518,293,631	(792,914,369)
	<u>21,760,202,600</u>	<u>19,029,047,165</u>	<u>(2,731,155,435)</u>	<u>17,800,618,000</u>	<u>16,680,005,531</u>	<u>(1,120,612,469)</u>

	<u>Expenditure</u>					
	<u>Budgeted</u>	<u>2014</u> <u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2013</u> <u>Actual</u>	<u>Variance</u>
<u>Recurrent</u> <u>Expenditure</u>	----- Rs	----- Rs	----- Rs	----- Rs	----- Rs	----- Rs
Personal Emoluments	11,289,862,552	11,053,931,370	235,931,182	10,335,715,494	10,008,174,243	327,541,251
Other Recurrent	3,716,408,098	2,815,402,656	901,005,442	3,028,201,469	2,521,023,080	507,178,389
Sub -Total	15,006,270,650	13,869,334,026	1,136,936,624	13,363,916,963	12,529,197,323	834,719,640
Government Investments	4,995,084,591	4,447,953,952	547,130,639	3,667,406,252	4,130,361,259	462,955,007
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	20,001,355,241	18,317,287,978	1,684,067,263	17,031,323,215	16,659,558,582	1,297,674,647
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The total expenditure for the year under review amounted to Rs.18,317,287,978. Out of which 75 per cent and 25 per cent represented recurrent expenditure and capital expenditure respectively.

5. Funds and Commercial Advance Accounts

5.1 Fund Accounts

5.1.1 Governor's Fund

- (a) In terms of Section 04 of the Convention on Uva Governors Fund, 82 per cent of the funds had been utilized only to 2 activities during the year under review. Accordingly, only 18 per cent of funds had been utilized for the balance activities.
- (b) In reinvesting fixed deposits, it had not been effectively done so as to earn interest income favourable to the fund, after being enquired from the money market interest.
- (c) Even though the money of the Governor's Fund had been spent to achieve the objectives of the fund in the year 2014 more than the year 2013, funds utilized for the betterman of the people, as compared with the balance money of Rs.7,847,400 remained in fixed deposits as at the end of the year 2014 had been Rs.2,356,518 or about 30 per cent. Accordingly, more attention had been paid to invest money in fixed deposits rather than the achievement of objectives of the fund

5.1.2 Chief Secretary's Fund

- (a) Income received by the Chief Secretary's Fund in the year 2014 had increased by Rs.1,810,521 as compared with that of the year 2013 and the total expenditure incurred for grants and the beneficiaries had decreased by Rs.1,384,080 and 42 respectively.
- (b) In terms of Section 11 of the Chief Secretary's Fund Convention, the Board has the authority to formulate rules intended to be required by the Board to carry out and fulfill the duties, functions and activities of the Board or any matter related or consequential to

it. Nevertheless, such rules had not been formulated even by 12 May 2015, the date of audit.

5.1.3 Uva Entrepreneurs Development Fund

Balance of receivable account of the Uva Entrepreneurs Development Fund as at 31 December 2014 totalled Rs.6,722,202.

5.2 Commercial Advance Accounts

5.2.1 Carpentry School Advance Account

The number of trainees enrolled to the carpentry training centers for training in the year 2014 amounted to 69 but the number of trainees who completed training had been 22. Due to various reasons 41 trainees had dropped out from courses.

5.2.2 Light Engineering Advance Account

(a) The main objective of the commencement of the Light Engineering Training Institute to give training for the apprentices in respect of manufacture of goods, making iron goods and doors and windows for public and private orders. Nevertheless, one trainee to the Beragala Light Engineering Training Institute after 2010 and 18 trainees to the Madagama Cottage Engineering Training Institute for the year 2014 had been enrolled. Particulars of enrollment of trainees to Beragala and Medagama Light Engineering Training Institute during the years from 2010-2014 are given below.

Year	Number of Trainees Enrolled	
	Beragala	Medagama
2010	Nil	10
2011	Nil	10
2012	Nil	01
2013	Nil	08
2014	01	18

(b) Despite building facilities, plant and machinery and experienced Technological Officers own by the Beragala and Medagama Light Engineering Training Institutes action had not been taken to improve the productions being enrolled and trained trainees. Service of the outside technicians had been obtained during the years 2013 and 2014 to fulfill the orders received to those institutions for production.

5.2.3 Okkampitiya Seed Farm Advance Account

The following observations are made.

- (a) Details of the basis of assessment of growing cultivation valued at Rs.2,558,566 had not been disclosed.
- (b) Receivable amounting to Rs.2,207,911 pointed out in the previous year audit reports had not been rectified in the preparation of final account for the year 2014.
- (c) The balance in the Turnover Tax Account amounting to Rs.333,561 brought forward since several years had not been settled.
- (d) The balance of debtors as per the statement of financial position as at 31 December 2014 amounted to Rs.322,198 and sufficient audit evidence was not made available to vouch this balance.

5.2.4 District Mechanical Workshop Advance Account

The value of arrears of revenue for which action had not been taken to recover even by 31 December 2014, brought forward since 2011 in the District Mechanical Workshop Advance Account amounted to Rs.4,674,336.

6. Operating Review

6.1 Performance

6.1.1 Government Grants

Particulars of provisions received for the Provincial Council Development Programs and their utilization are given below.

Source	Net Provision	Utilization	Savings	Savings Percentage
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	Rs.	Rs.	Rs.	%
Education	245,840,000	245,840,000	-	-
Health	245,840,000	206,000,000	39,840,000	10
Health Sector Development Project	180,000	180,000	-	-
Education Sector Development Project	285,000,000	281,468,037	3,531,963	-
UNICEF Programme	38,775,600	37,080,200	1,695,400	-
Social Services	13,000,000	13,000,000	-	-
Provincial Road Project	1,810,000,000	1,599,865,908	210,134,092	10
Infra-Structure	906,595,000	906,595,000	-	-
Economic Development	800,000,000	352,405,000	447,595,000	50
Institutional Capital Expenditure	111,000,000	110,160,000	840,000	-

6.1.2 Provincial Development Plan

Under the Provincial Development Plan for the year under review, 2646 proposals at an estimated value of Rs.1492.2 million in respect of new works and continued works had been approved. The progress of the work proposals according to the progress reports of the provincial council is given in the following table.

	New work	Continuous Work	Total Work Proposals
	-----	-----	-----
Fully completed	1682	745	2427
Completed over 50 per cent	78	07	85
Completed less than 50 per cent	31	02	33
Not commenced	54	-	54
Under disputed/ Questionable position	47	-	47
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Total	1892	754	2646
	=====	=====	=====

6.1.3 Other Observations

The following observations are made.

- (a) Out of 95 Cop-city, Mini Cop-city and Mega Cop-city relating to the Uva Provincial Co-operative Development Department as at 01 December 2013, 68 had run at losses totalling Rs.4,572,088 and become fruitless entities. Nevertheless, any course of action had not been taken to convert them as profit making institutions.
- (b) It was observed that even 50 per cent of the expected targets in the year 2014 could not be achieved in respect of several items as compared the expected targets with the actual progress in respect of land duties by the Uva Province Land Commissioner's Department. Three officers of the Department had been attached to the 26 each Divisional Secretariats in the Province and a sum of Rs.1,302,316 had been spent by the Department only during the year 2014 as commuted travelling allowances, in addition to their salaries.
- (c) The office of the Medical Officer of Health, Welimada has 35 Family Health Services Office Divisions out of which only 13 Divisions had been supervised by the Public Health Matron within 7 days in the year 2014. Home entrance pre-natal home entrance of pregnant women post-natal child home entrance and home entrance of mothers had been at a weak level in most of those divisions.

6.2 Management Inefficiencies

The following observations are made.

- (a) Uva Province Land Commissioner's Department, Small Plantation Entrepreneurs Development Foundation and Divisional Secretariat Bibila had distributed 520 acres of land among 261 rubber planters in the years 2010,2011 and 2012 in 3 domains namely Kanawegalle, Bulupitiya and Nilgala within the Divisional Secretarial area. The basis of distribution of land among planters was not revealed in audit. Further, in terms of condition 4.3 of the agreement, it was stated that the agreement should be extended every year till the end of 5 years from the date of agreement but period of 261 agreements had not been extended even by 27 November 2014.
- (b) In purchasing raw foods in the Base Hospital, Diyathalawa contrary to the Uva Province Financial Rules 137(2) and 156(7), without supplying raw foods for the approved food menus as per the agreement, the contractor was allowed to earn an additional profit by providing foods at minimum market prices.
- (c) A sum of Rs.1,645,262 had to be paid to the contractor per year for the cleaning materials used for cleaning purposes of the Base Hospital, Diyathalawa, office of the Deputy Director of Health Services, Badulla and the Base Hospital, Welimada but an internal control system to ensure whether those materials were actually used for cleaning services had not been established. In terms of Uva Provincial financial rules 752 and 753 registers for goods received or issued had not been maintained by the respective institutions and it was not confirmed that goods actually received, contrary to Financial Rule 237(6).
- (d) In terms of Section 20 of the service agreement for the cleaning of Diyathalawa Base Hospital, if any place or a room would be provided to store goods and to operate activities to the contractor, a reasonable rent had to be charged. Nevertheless, without charging any such rent a part of the old out patients division had been given to the contractor.
- (e) Eventhough a report stating that unauthorized houses had been constructed in the land, 67 sq.meters in extent (2.66 perches) belonging to the Bandarawela District Hospital had been submitted by the Survey Department on 25 November 2013, any action to remove those unauthorized constructions had not been taken.
- (f) It was revealed that permanent buildings had been constructed and resided by encroachers in the Niyadagala Pathana land, 01 acre and 0.8, perch in extent in which Welimada Base Hospital was located. Eventhough the Hospital Land been Surveyed in six times from 1996 to 2012 and boundaries had been marked, any action had not been taken to protect the land. Steps had not been taken to remove the encroachers from this land and to take over the clear possession of the land to the Department of Health under the re-vesting the possession of lands Act.No.07 of 1979.

- (g) Employees Provident Fund contribution of Rs.79,659 relating to 33 installment recovered from the employees of the Uva Province Road Development Department and to be remitted to the fund had not been sent and retained in the General Deposit Account from 31 December 2012 to 27 October 2014, the date of audit.
- (h) Sports goods valued at Rs.1,164,685 purchased in the years 2010,2011 for the distribution among the registered Sports Societies in the Uva Province by the Ministry of Uva Province Youth Affairs, Sports, Social Welfare, Estate Infrastructure Facilities Development, Power and Energy, Textiles and Small Industries had not been distributed even by the date of audit on 11 May 2015.
- (i) The quality input money amounting to Rs.1,756,828 as at 31 August 2014 in the 12 schools belonging to the Monaragala Education Zone had remained idle in the account and a sum of Rs.1,204,258 had been given again for those 12 Schools as quality input money on 04 November 2014.
- (j) A sum of Rs.2,982,908 had been retained in the general deposit account by 12 November 2014 without being utilized for intended purposes by the Welimada and Monaragala Zonal Education Offices.

Purpose for the deposit -----	Date of Deposit -----	Amount Deposited -----	
		Rs.	Rs.
- Qualitative input money	27.02.2012	2,692,952	
- "Aids" Programs	17.01.2012	121,650	
- "Sisu Rakuma" Bursaries	22.09.2011	82,500	

			2,897,102
- M/Kesselkotuwa J/School, Electricity supply	05.12.2012	43,511	
- M/Kalugahawadiya J/School, Water supply	07.12.2012	15,500	
- M/Kongaspitiya J/School, Fixing nets	26.12.2012	26,795	

			85,806

	Total		2,982,908
			=====

- (k) The government quarters assigned to the Finance Assistant of the Monaragala Zonal Education Office had been given to the principal of the M/Royal Central College since

October 2012 and the monthly rent from January to November 2014 had been under recovered by Rs.10,725.

- (l) The economic rent of Rs.1,750 assessed in the year 2006 and being recovered from an officer occupied the government quarter No.19 belonging to the office of the Deputy Chief Secretary (Personnel and Training) had not been reassessed even by 23 March 2015. Repairs affected after the year 2006 by incurring a sum of Rs.842,189.
- (m) In terms of the Chapter XXII of the Establishments Code attention had not been drawn to operate the canteen of the Uva Provincial Council as a Welfare Canteen. Eventhough it was not operated as a Welfare Canteen, 11 tables and 26 chairs had been issued to the canteen by the office of the Deputy Secretary(Personnel and Training).
- (n) Eventhough it was stated that the validity period of Warranty Certificate of the CCTV Camera System fixed in the Uva Provincial Council premises would be 01 year, the office of the Deputy Chief Secretary (Personnel and Training) had not entered into an agreement with the supplier. An estimate for the installation of camera system had not been prepared and approved and the data stored in the system would be automatically deleted after 18 days. As such it was observed that the data storing ability had not been considered in preparing specifications. An overpayment of Rs.43,890 had been made in excess of the price decided by the Procurement Committee.
- (o) The Deputy Principal of the Passara National School who had been the Principal of the B/Passara, Ganewela Jayantha Vidyalaya and transferred to this school on 02 May 2013 had handed over all inventory items to the successor after 11 months in terms of Provincial Council Financial Rule 755.1. When the inventory items had been handed over to the new principal, there was a shortage of 8 types of items and an excess of 3 types of items. Cash books, Payment vouchers, Receipts, General 219 books with copies, cheque book No.4 relating to the School Development Society had not been handed over.

6.3 Operating Inefficiencies

- (a) A sum of Rs. 25,000 had been sent for the purchase of sports goods for the sports centers of the Badalkumbura Divisional Secretarial Division by the Ministry of Youth Affairs and Sports of the Uva Provincial Council. Eventhough, it was informed that after purchasing sports goods as per instructions, bills should be submitted to the Ministry before 30 October 2013, but relevant purchases had not been effected even by the date of audit on 20 December 2014.
- (b) An advance of Rs.30,000 each had been given to one school under the Learning Promotion Fund for the Secondary Schools by the Wellawaya Zonal Education Office. Eventhough the advances to be settled immediately after the purpose for which it was completed, in terms of Provincial Financial Rule 371.2.2, Advances totalling Rs.270,000 given to 9 schools had not been settled.

- (c) A sum of Rs.12,670,756 received by the Wellawaya Zonal Education Office under various programs had retained in the General Deposit Account even by 02 April 2015 without being used.
- (d) The Land Commissioner General had given the approval letter of 7 leases of tenants selected by the Badulla Divisional Secretariat through Land Kachcheries on 20 June 2011 and November 2011 and informed to take future action. Without taking any courses of action on the instructions stated in those approval letters, the leasing files had been kept inactive even by 09 February 2015.
- (e) A loudspeaker received by the Uva Paranagama Divisional Secretariat stores on 30 December 2013 and 277 units of goods/ equipment of 4 types received by the Haldummulla Divisional Secretariat stores in December 2013 had not been given to the relevant beneficiaries by 22 August 2014 and 23 March 2015 respectively.
- (f) A sum of Rs.40,000 received for the Medical Treatments and Self-employment assistance of 2 beneficiaries in the year 2013 had been retained in the general deposit account of the Bibila Divisional Secretariat up to the date of audit on 27 November 2014 without using for the relevant purpose.
- (g) Out of the capital provision made to the Welimada Zonal Education Office for the year 2014, 40 programs valued at Rs.2,211,158 to be done within the zone had not been implemented even by the date of audit on 12 December 2014.
- (h) According to the G.C.E (O/Level) examination results of the B/Passara, Ganewela Jayantha Vidyalaya from 2008 to 2012, the number of students who passed the examination as compared with the number of students who sat for the examination had been 14 to 30 per cent. According to the examination results of the G.C.E (O/Level) from 2008 to 2013 the number of students who passed the mathematics subject had been 0 to 10 per cent whereas not a single student had passed the English Subject. The Subject Directors in the Zonal Education Office and the Regional Education Office had not supervised the school in the years 2013 and 2014.
- (i) According to the Public Administration Circular No.41/90 dated 10 October 1990 fuel consumption of all the vehicles attached to the Uva Province Mechanical Directors Office had not been tested. The lorry, bearing No.28-2866 had been parked in the office premises unprotected without being run from 09 October 2013 to 07 November 2014, the date of audit.
- (j) Qualitative inputs valued at Rs.15,392,995 received for 78 schools belonging to Bibila Zonal Education Office had not been used even by the date of audit on 31 March 2015.

6.4 Financial Management Inefficiencies

- (a) A sum of Rs.5,463,400 had been remained idle in the general deposit account without being used for the relevant purposes by the office of the Deputy Chief Secretary (Personnel and Training) by 23 January 2015.
- (b) In terms of Section 01 of the agreement entered by the Deputy Secretary (Personnel and Training) in respect of Supply of Cleaning Service for the Uva Provincial Council complex for the year 2014, an over payment of Rs.368,774 had been paid in excess of the total agreed annual fee.

6.5 Provincial Road Development and Improvements - Uva Provincial Road Development Department

(a) Development of Kuttiyagolla School Road

Eventhough the road had been newly coated with far by laying rubble by paying a sum of Rs.1,831,571 far had been coated on 100 mm rubble. Accordingly, it could not be satisfied in audit with the expenditure incurred thereon for spreading 37.5 mm rubble and 12 mm rubble. The road, 36 meters from the beginning had cracked and sunk about 7 square feet and after 51 meters the road had sunk.

(b) Badulla, Kuttiyagolla, Kahataruppa, Ilipathuthenna Road

After 749 meters from the beginning of this road for which a sum of Rs.3,604,775 had been paid, 3 places had completely sunk and destroyed.

(c) Mahiyanganaya Cemetery Road

An agreement had been entered into with a certain entity for this work on 08 April 2014 and the following deficiencies were observed in the examination of this project.

- (i) As cobbles existed between 100 mm and 37.5 mm rubbles, no inter connection between stratum and as such the strength of the road had become very weak.
- (ii) Several places of the road had cracked and sunk.
- (iii) Length of 27 meters between 37 m. and 64 m. from the beginning of the road which was the part of the road had completely sunk and gravelled stratum had come up with hols.

(d) Lower Rathkinda Ulhitiya Road – Coating Asphalt by Spreading Rubbles

A culvert had been constructed across the road by incurring an expenditure of Rs.694,360 on the above road construction project, and the following situations were observed in this regard.

- (i) Water flow of the culvert built across the road had been aimed at an access road, below the culvert and as such that road had seriously denuded by the outflow of water.
- (ii) Due to flowing water from this culvert, near access road and bund of the 'D' channel which flows irrigation water had been damaged and the villagers had blocked the culvert water with sand bags. Accordingly the amount of Rs.694,360 paid in this construction work had become fruitless expenditure.

6.6 Assets Management

6.6.1 Weakness in Stores Management

- (a) At a sample Physical Verification of stores items in 5 institutions under the control of the office of the Divisional Director of Health Services revealed that there was a shortage of 30 surgical equipment and stock of drugs valued at Rs.244,936 and an excess of 23 items valued at Rs.1,146,337.
- (b) As non-availability of stores facilities to store drugs, in the Welimada Base Hospital, a stock of paracetamol had been kept unprotected near the dispensary and a stock of soframicine drugs valued at Rs.31,980 had been attacked by termites. 3650 bottles of normal saline valued at Rs.197,903 had been stored in the old mortuary whereas a stock oxygen had been improperly stored in the unused patients toilet set up in the outpatients division, without being used.
- (c) There were expired and discarded drugs valued at Rs.130,396 in the drugs stores at Wawegama District Hospital and expired Thripasha stock valued at Rs.8,204.

6.7 Transaction of Contentious Nature

In purchasing mathematical instruments for Mahindodaya Technology Laboratories a sum of Rs.227,950 had been paid for equipment for which no quotations were presented.

6.8 Irregular Transactions

The following observations are made.

- (a) Without following the Financial Rules 137(2) and 156 (7), an overpayments of Rs.194,409 had been made for 272 Security Officers for the Supply of Security Services from 01 October 2013 to 31 August 2014 by the Ayurveda Department without checking the attendance register to confirm the attendance.
- (b) The Ayurveda Department had not maintained a daily attendance register for the employees engaged in cleaning service. Without deploying the specific number of employees during the period from June 2013 to August 2014, over payment of salaries and overtime amounting to Rs.377,766 and Rs.232,281 respectively had been made and action had not been taken to recover the fine of Rs.80,600 at Rs.100 per person.

- (c) The milo meter of the cab bearing No.52-4729 belonged to the Welimada Base Hospital had been inoperative and action had not been taken to get it repaired.
- (d) In the examination of cleaning material stores in the office of the Badulla Deputy Director of Health Services, materials valued at Rs.51,874 to be supplied annually had not been supplied but it was revealed that the full amount had been paid to the contractor in settling his bills.
- (e) Eventhough the Technology Officer of the Uva Provincial Vehicles Maintainance Unit had pointed out 10 faults in respect of the repair of cab, bearing No.250-7849, the total agreed amount of Rs.393,900 had been paid to the repairer without considering those defects.
- (f) Eventhough there was no provision for the purchase of furniture and equipment for government quarters from the Provincial Council Fund, a hot water heater had been purchased for Rs.27,080 for a government quarters located at Ratwatta Mawatha.
- (g) Eventhough the Provincial Mechanical Director's Office Procurement Committee had approved to purchase Note Book Computers, Mobile Phones by incurring a sum of Rs.448,000 had been purchased for 4 Staff Officers. In calling for quotations for the purchase of these Mobile Phones quotations had not been called for from the local agents who import and distribute and as such it was not established whether those Mobile Phones were genuine products. Similarly a warranty certificate had been obtained from the marketing agent instead of getting it from the manufacturer.
- (h) In terms of the Public Administration Circular No.28/2011 dated 12 December 2011 an allowance of Rs.15,000 had to be paid to the officers of the Sri Lanka Engineers Service since January 2012. However, allowances totalling Rs.508,548 had been paid to the Provincial Mechanical Director who did not belong to the Sri Lanka Engineers Service, for the period from January 2012 to October 2014. Eventhough instructions of the National Salaries and Cadre Commission for all allowances and incentives should be obtained in terms of paragraph 6 of the Public Administration Circular dated 25 April 2006, these allowances had been paid without taking such instructions .
- (i) The retired Provincial Mechanical Director had been reemployed on contract basis for a period of 6 months from 04 May 2014. Eventhough salaries and allowances should be paid to him in terms of Public Administration Circular No. 09/2007 dated 11 May 2007, contrary to that an overpayment of Rs.263,474 had been paid as salaries and allowances by October 2014.
- (j) In terms of Finance Commission Circular No.2011/01 dated 26 July 2011 the development activities for which expenditure should be incurred on education had been specified. Nevertheless, contrary those instructions, the Bibila Divisional Secretariat had purchased office equipment valued at Rs.495,700 and issued to a school.

6.9 Apparent Discrepancies

- (a) The Security Service firm which provided Security Services to Diyathalawa Ayurveda Hospital had provided Security Services to the Diyathalawa Base Hospital as well and it was observed that one officer had worked in both places in a day. Accordingly a sum of Rs.48,066 had been taken fraudulently from 2 institutions.
- (b) Employees of the Uva Provincial Health Services Department had obtained excess overtime allowances of Rs.124,347 for the period from 01 March 2013 to 22 December 2013.
- (c) The Uva Paranagama Divisional Secretariat had purchased 184 bags of cement valued at Rs.161,000 on 05 July 2014 under the Isolated Villages Development Special Project and posted to the stock book on 29 June 2014 stating that those goods were received. Eventhough this payment had been approved and paid with a stock certificate as per financial regulation, this stock had not been received to the Divisional Secretariat even up to 22 August 2014.
- (d) Although the Principal of the B/Passara Gamewela Jayanthi Vidyalaya had gone on transfer to the Passara Central College on 02 May 2013, the cheque book had not been handed over to the successor. After 34 days of the transfer of this principal, cheques valued at Rs.22,000 had been encashed on 04 June 2013 from the accounts of the school development society by forging his signature.

6.10 Under Utilization of Funds

A sum of Rs.780,000 given to 26 Divisional Secretariats in the Uva Province at Rs.30,000 for each for the purchase of sports goods and sports development by the Ministry of Uva Provincial Youth Affairs, Sports, Social Welfare, Estate Infrastructure Development, Power and Energy, Textile and Small Industries had not been utilized for the intended purpose even by 20 April 2015.

6.11 Uneconomic Transactions

The following observations are made.

- (a) Eventhough a compost fragmentation machine valued at Rs.70,805 had been given by the Provincial Department of Agriculture under the Encouragement of Carbonic Fertilizer usage Program it had not been utilized even by 13 February 2015.
- (b) A sum of Rs.1,269,326 and a sum of Rs.42,375, totalling Rs.1,311,701 had been spent for the reconstruction of Water Supply System and well and the Supply of Electricity to the Sujatha Sevana Children's Home respectively. However, that expenditure had become fruitless as the Water Supply System was not in use. The purpose of this project was to minimize the high cost water bill but the value of water bills amounting to Rs.490,256

had been paid from January to November 2014, as the Water Supply System was not in use.

- (c) Eventhough an expenditure of Rs.489,204 had been incurred in the year 2013 under the Strengthen Program of Co-operative Societies belonging to the Provincial Department of Co-operative Development, a sum of Rs.50,000 given to 3 Co-operative Societies and equipment valued at Rs.99,625 had not been utilized even by 01 September 2014, the date of audit.
- (d) Eventhough a sum of Rs.2,283,000 had been paid by the Provincial Public Service Commission to the Badulla Divisional Secretariat for the aquisition of the Kadamuththettuwa land to the extent of 2 roods and 18.5 perches, action had not been taken to acquire this land even by 30 March 2015. As such the money of the Commission amounting to Rs.2,283,000 had been deposited in the Badulla Divisional Secretariat and the opportunity of using this fund for another fruitful purpose had been deprived.

6.12 Identified Losses

A motor van belonging to the Bibila Zonal Education Office had met with 3 accidents in the year 2013. The repair cost of this vehicle amounted to Rs.350,345 and the unreimbursed insurance indemnity amounted to Rs.35,332.

6.13 Activities Extraneous to Objectives

The following observations are made.

- (a) Eventhough provisions had been made for the Isolated Villages Development Program to improve the social condition of the people living in the Isolated Villages within the province, a sum of Rs.13,402,752 had been spent for office requisite by the Ministry, which was not related and extraneous to the objectives of this program.
- (b) Out of the provision made for the construction of Phase II of the provincial council buildings complex in the year under review, a sum of Rs.2,000,000 had been spent for the arrangement of Chief Secretary's Office which was an outside activity of the objective.
- (c) In order to collect funds for the warheros welfare activities, warheros flags had been sold and a sum of Rs.1,000,000 out of that collection had been invested in a fixed deposit in November 2011. By 31 December 2014, it had become Rs.1,340,751 with the accrued interest. It was observed that this money had not been utilised for the intended objective of warheros welfare.

6.14 Weaknesses in Contract Administration

The following observations are made.

- (a) In the estimation of works by the Provincial Department of Irrigation, the salary of a retired Technological Offices who had been recruited on contract basis amounting to Rs.211,500 had been included in the estimate in addition to the work supervisors salary and incorrectly prepared the estimates in 7 instances.
- (b) A sum of Rs.24,406 had been paid for the supply and fixing 47.39 meters of Valance Board with 20 mm. thickness and 225 mm width under item 13 of the first phase of Demodara Medical Officers Official quarters repair works. Payments had been made again for the same work under item 8 in the second phase.
- (c) A sum of Rs.45,500 for the removal of 130 old concrete polls under item No.2 of the construction work of wire fence of the Demodara Divisional Hospital and a sum of Rs.60,090 for the removal of 4006 meters of old barbed wires under item 3 had been paid. However, any removed concrete polls had not been handed over to the Hospital and only a small quantity of barbed wires had been stacked at the Hospital premises.
- (d) According to the report of the National Buildings and Research Institute for the year 2011, it was recommended that Wewagama was an earth –slip prone area and it was not suitable for the construction of permanent buildings. Nevertheless, a new out patients unit had been built on 18 June 2012 for the Wewagama District Hospital by spending a sum of Rs.973,281 and it was opened on 18 February 2013. The physical verification revealed that a part of the construction had not been completed and the walls were cracked and water was leaking on the surface, surround the buildings.

6.15 Personnel Administration

6.15.1 Approved and Actual Cadre

The approved and the actual cadre position of the Uva Provincial Council as at 31 December 2014 is given below.

(a) Ministries/ Departments and Offices of the Provincial Council (Excluding School Staff)

Staff Category	Approved	Actual	Vacancies	Excess
(i) Senior Level	1141	733	408	-
(ii) Tertiary Level	348	246	102	-
(iii) Secondary Level	6487	4786	1701	-
(iv) Primary Level	4558	4550	08	-
(v) Others (Casual/ Temporary/ Contract Basis)	45	257	-	212

(b) School Staff

	Employee Category	Approved	Actual	Vacancies
(i)	Principals	1,011	857	154
(ii)	Teachers	16,334	16,120	514
(iii)	Supporting Staff	1,944	1,422	522

- (c) For the supporting staff included above, 420 persons had been recruited as school office assistants in excess of the approved cadre.
- (e) Without a prior approval of the Cabinet of Ministers in terms of provisions stated in the Public Administration Circular No.2007/09 dated 11 May 2007 and the Circular No.CSA/6/6/10/5 dated 13 October 2010 of the Presidents Secretary, 06 retired Technical Officers had been re-employed by the Uva Provincial Department of Irrigation. A sum of Rs.4,074,900 had been paid to them as allowances for the period from 01 December 2009 to 27 August 2014 on the basis of a daily allowances determined by the Monaragala District Price Committee.
- (f) A Scheme recruitment and promotion for the Post of Assistant Matron in the Sujatha Sevana Children's Home of the Uva Probation and Child Care Department had been approved on 24 May 2010 by the Uva Province Governor. In terms of the provisions stated in that scheme, applications should be called for the Assistant Matron post by the Provincial Public Service Commission through the newspaper advertisements and a written test should be held and she should be recruited on the merit of the examination result, after the examination of qualifications. Nevertheless, a female officer held been recruited for that post on 01 September 2012 on contract basis and her service period was extended up to 31 August 2013. She had been appointed to the Assistant Matron Grade (III) post on 27 September 2013.
- (f) Contrary to the provisions in paragraph 09 of the recruitment procedure approved by the Uva Province Governor, 17 persons had been recruited to the 'Niwasa Matha' post of the Uva Provincial Probation and Child Care Department and a sum of Rs.3,038,886 had been paid as salaries and allowances for the period from January to December 2014.
- (g) According to the personnel reports of the Uva Provincial Council for 2013-2015, there was an excess cadre of 15 Development Officers in the Deputy Chief Secretary's (Personnel and Training) Office and a sum of Rs.4,228,788 had been paid as salaries and allowances to them only in the year 2014
- (h) Two Assistant Machine Operators had been attached to the Nakkala Service Centre belonging to the Provincial Mechanical Director's Office without being assigned any duties during the period from 16 June to 05 November 2014 and the activities of that Centre had not been commenced even by 05 November 2014. Accordingly, the salaries

and allowances amounting to Rs.184,149 paid to those 2 officers had become fruitless expenditure.

6.15.2 Personnel Control of Education Sector

The following observations are made.

- (a) Within the cadre of the Wellawaya Zonal Education Office there were 38 excess staff and 13 vacancies in various posts as at the date of audit on 06 April 2015.
- (b) A “Planning Officer” post which was not included in the approved cadre of the Welimada Zonal Education Office had been created and a female officer in the Sri Lanka Teachers Service had been appointed for that post and attached to the Uva- Paranagama Regional Education Office since 15 October 1992 by paying the salaries of Teachers Service.
- (c) Teachers in grade I to 3-II in the Sri Lanka Teachers Service had been appointed as Acting Principals in 49 schools belonging to the Welimada Education Zone.
- (d) Eventhough officers in Teachers Service had been working as Acting Principals it was observed that 16 officers in Principals Service, they had been working as Deputy Principals and Teachers in 11 schools in the Welimada Education Zone.
- (e) One hundred and fifty one officers in the Sri Lanka Teachers Service and Principals Service belonging to the Uva Provincial Council Public Service had been attached to the National Schools even by May 2015, an officer in Grade 2-II of the Sri Lanka Principal’s Service had been attached to a Deputy Principal’s post in a National School, despite there were vacancies in the Principals Service posts of the Uva Provincial Council Schools.
- (f) There were 3 excess teachers for dancing and music subjects in the M/ Thenagallanda Maha Vidyalaya by November 2014.
- (g) Contrary to the provisions in the Circular No.2003/38 dated 07 November 2003 on determination of number of teachers with the objective of fulfilling teachers requirement, 2 Deputy Principals in the M/ Mediriya Rajiyananda Maha Vidyalaya had never engaged in teaching during any period. In addition, any teaching period had been given to 3 teachers even by 13 November 2014 and as such the salaries and allowances of Rs.676,788 paid to them for that period had become fruitless expenditure.
- (h) In terms of sub Paragraph 13.4 of Chapter II of the Establishments Code, a person who does not have full qualifications in every aspect to hold the post should not be appointed to act in a post. Contrary to that, 7 instances of recruiting persons to the Sri Lanka Education Administrative Service were observed. This included officers in Sri Lanka Teachers Service and they had been engaged in fulltime administrative functions, retaining in the school staff itself and paying teachers salaries.

- (i) An officer who had pleaded guilty in a disciplinary inquiry and differed 2 of his increments had been released to a Project Manager post in the Uva Provincial Education Department on a secondary basis with no pay including the period of conducting disciplinary inquiry against him.
- (j) An officer who had been appointed to the Sri Lanka Education Administrative Service on a super numerical basis, only with the rights of obtaining the salary of Education Administrative Service by the Public Service Commission from its Letter No.රාජ්‍යේකා/දේපානි/2001/4/1/S/268 dated 23 November, based on a court decision of the Supreme Court had been appointed to a post of the Sri Lanka Education Administrative Service with the following privileges, by violating such instructions.
- Appointment to the Post of Uva Province Project Manager of EKSP project on the basis of making payments in terms of provisions in Paragraph 4.1.3 of the Management Services Circular No.33
 - Appointment to the Post of Provincial Project Manager of the Secondary Education Modernization Project (SEMP)
 - Appointing to the duties in post of Bibila Zonal Education Director on the basis of paying an additional remuneration.
- (k) An officer in Grade 3(1) of the Sri Lanka Teachers Service had been given a Provincial Library Coordinating post which was not approved in the cadre of the Uva Provincial Education Department. He had also been offered two Assistant Director of Education (covering of duties) posts on 23 and 24 of July 2008 and he had been appointed to perform the duties of subject coordinating in the Planning Division.
- (l) A Science Subject Provincial Coordinating Officer – English Medium post had been offered to a Grade 2-1 officer in Sri Lanka Teachers Service which was not in the approved cadre of the Uva Provincial Department of Education. This officer had proceeded abroad in 2 instances relating to this by obtaining study leave with pay.
- (m) In terms of Public Administration Circular No.24/2011 dated 16 November 2011, re-employment of retired Public Officers on contract basis should be limited only to 6 months. However, 4 retired officers had been re-employed for more than 6 months on contract basis by the Uva Provincial Department of Education and a sum of Rs.1,565,730 had been paid as salaries and allowances.
- (n) An officer in the Sri Lanka Education Administrative Service who had been doing covering up duties of a Deputy Director of Education and retired on 13 September 2009 had been re-employed since 14 May 2010 contrary to the Provisions in Public Administrative Circular No.09/2007 of 11 May 2007.
- (o) Eventhough the approved number of Deputy Director of Education amounted to 4 as at 01 January 2014 in the Uva Provincial Department of Education, 9 Deputy Directors of Education had been employed.

- (p) According to the information on the approved cadre of the Uva Provincial Department of Education, the approved posts of Assistant Director of Education and Deputy Director of Education categories amounted to 85. However, the actual permanent cadre was 88, consisting of 50 officers who had been appointed for cover up duties. As such 53 officers in excess of the approved cadre had been recruited.
- (q) In excess of the approved cadre of the Provincial Department of Education and 8 Zonal Education Offices under various posts, 473 persons had been recruited.
- (r) Action had not been taken to fill the 829 vacancies in the various approved posts for the Provincial Department of Education and 8 Zonal Education Offices.
- (s) Accordingly to the data of the Statistic Division of the Provincial Department of Education, out of the approved principal posts for the Uva Provincial Department of Education amounting to 1011, three hundred and twenty three posts had been filled by acting posts from the teachers of Sri Lanka Teachers Service. It was observed that 297 out of 323 had been in the acting posts during the periods ranging from 1 year to 10 years.
- (t) The manner in which 158 teachers had been recruited on casual basis and 2 teachers on acting basis was not made available for audit.
- (u) Despite shortage of teachers and vacancies of Principal posts existed, 39 officers in the Sri Lanka Teachers Service and 11 officers in the Sri Lanka Principal Service had been employed to cover up duties of Deputy Director of Education, Assistant Director of Education, Zonal Director of Education which belong to the Sri Lanka Education Administrative Service. Further, an officer in the Sri Lanka Teachers Service grade 2-11 had covered up the duties of the post of Deputy Director of Education for 9 years and 47 officers had been covering duties from 5 to more than 21 years.

6.15.3 Personnel Administration of Health Sector Services

There was no internal control system in respect of a post of Cook and the preparation of foods and a post of a Food Observer had also not been created in the Diyathalawa Base Hospital.

6.16 Vehicle Utilization

- (a) At a examination of the running charts of the Motor Cab bearing number 253-7792 belonging to the Uva Provincial Ministry of Agriculture, Irrigation, Fresh Water Fisheries, Land, Tourism and Transport, it was stated that fuel valued at Rs.7891 for running 512 km. of official duties and duties with officers had been consumed. However, these running charts had not been certified by any responsible officer.
- (b) The jeep bearing No.31-5741 had been given to a private institution for Rs.490,328 by the Deputy Director of Agriculture, Badulla on 10 November 2014 for maintenance

work. An agreement had not been entered into therefor in terms of Financial Regulation 702.

- (c) Milometer of the jeep bearing No.HH-7258 belonging to Uva Provincial Animal Products and Health Department had been inactive during the period from 28 March 2014 to 30 January 2015. It was stated in the Running Charts that vehicle had run 8877 Kilometers during that period and 1268 liters of fuel valued at Rs.153,884 had been used.
- (d) In terms of Letter No.DCMD/PR/2013 dated 05 June 2013 of the Secretary to the President and the Public Finance Circular No.PF/FS/A.Vehi/2009 dated 14 July 2014, action had not been taken to dispose 8 tractors, 3 motor cycles and 2 other vehicles not in use by the Ministry of Provincial Agriculture, Irrigation, Fresh Water Fisheries, Land, Tourism and Transport.

6.18 Bank Reconciliations

The following observations are made.

- (a) The follow up action had not been taken in respect of 146 cheques not realized over a period of 6 months from the date of deposit valued at Rs.2,631,392.
- (b) Action in terms of Uva Provincial Financial Rule 396.4 had not been taken in respect of 42 cheques valued at Rs.262,769 lapsed for more than 6 months from the date of issue.
- (c) According to the Bank Reconciliations Statements, there were unidentified debits of Rs.105,200 relating to the Ministries/ Departments and 3 Offices and unidentified credits of Rs.388,472 relating to the Ministries, Departments and 3 Offices.

6.19 Supervision of Local Authorities

The following deficiencies were observed in 28 Local Authorities located within the Uva Provincial Council area and under the Supervision of the Provincial Council.

6.19.1 Presentation of Financial Statements

Out of the 28 Local Authorities situated in the Uva Provincial Council area 20 had not presented their financial statements on due date for the year under review.

6.19.2 Arrears of Revenue

- (a) Rates and other income receivable to the Local Authorities of Uva Province for the year under review and the previous years, as at 31 December 2014 amounted to Rs.237,538,830.
- (b) In terms of Municipal Councils Act No.42 of 1979, Urban Councils (Amendment) Act, and Section 129(2) of the Pradeshiya Sabha Act No. 15 of 1987, the recoverable court

finances and stamp fees to the Local Authority amounting to Rs.86,224,832 and Rs.65,084,624 respectively had not been received by those Local Authorities.

6.19.3 Amount Receivable on Surcharge Certificates Issued

A sum of Rs.7,097,643 was receivable as at the end of the year under review in respect of surcharge notices issued against the Officers and Councilors of the Local Authorities in Uva Province.

7. Accountability and Good Governance

7.1 Action Plan

An action plan had not been prepared for the Provincial Council in respect of the year under review.

7.2 Internal Audit

A sufficient internal audit had not been carried out during the year under review in the following institutions.

- (a) Uva Governor's Office
- (b) Public Service Commission
- (c) Office of the Deputy Chief Secretary (Personnel and Training)
- (d) Office of the Deputy Chief Secretary (Administration)
- (e) Uva Province Local Authorities
- (f) Divisional Secretariats
- (g) Road Development Department
- (h) 06 Ayurveda Hospitals, 19 Central Dispensaries and 01 Osu Uyana
- (i) Base Hospitals, District Hospitals, Central Dispensaries and the Office of the Medical Officers of Health.

7.3 Audit and Management Committee

In order to improve the financial prudence and financial management of the Provincial Council Audit and Management Committee had not been properly implemented in the Departments, Offices and Local Authorities of the Provincial Council.

7.4 Procurement Plan

A Procurement Plan had not been prepared by the Uva Provincial Council for the year under review.

7.5 Tabling of Annual Reports

The position of the tabling of the Auditor General's Reports on the financial statements of the Uva Provincial Council for the previous years is given below.

Year	Date of Issuing the Report	Date of Tabling
2008	31.08.2010	20.01.2011
2009	27.08.2011	13.10.2011
2010	12.09.2012	13.12.2012
2011	11.02.2014	19.06.2014
2012	14.10.2014	23.04.2015

8. Systems and Controls

Special attention is needed in respect of the following areas of controls

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