

Uva Provincial Council – 2015

The audit of financial statements of the Uva Provincial Council for the year ended 31 December 2015 comprising the statement of financial Position as at 31 December 2015 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 Auditing 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 2015 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 10 March 2016.

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 2016, is given below.

	Total Number of Accounts	Number of Accounts Presented	Number of Accounts not Presented
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(i) Appropriation Accounts	29	29	-
(ii) Advances to Provincial Public Officers Accounts	29	29	-
(iii) Revenue Accounts	01	01	-
(iv) Commercial Advance Accounts	09	09	-
(v) Fund Accounts	10	08	02
(vi) Statute Accounts	02	01	01
(vii) Provincial Council Members Advance Account	01	01	-
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	81	78	03
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2.2.3 Accounting Policies

The following matters were observed.

- (a) The annual accounts should be prepared from the year 2013 under accrual basis in terms of the provisions of the Circular No.SS/AS/AA of the Director General of Public Accounts dated 24 January 2013. Nevertheless, the Uva Provincial Council had not taken action in complying with the Circular in preparing accounts even in the year under review.
- (b) A significant expenditure had been incurred by the Central Government and the Provincial Council for the Fixed Assets since the commencement of the Provincial Council and a sum of Rs.469,849,989 had been incurred to purchase Fixed Assets in the preceding year and during the year under review. However, the Fixed Assets were not revealed in the financial statements and had not been disclosed in the accounting policies.

2.2.4 Provincial Council Consolidated Financial Statements

The following accounting deficiencies were observed in audit.

- (a) Despite that the salaries paid amounting to Rs.3,327,451 to the permanent staff who deployed in the service of the Uva Provincial Press during the year 2015 had been brought to account as an expenditure under Uva Provincial Chief Minister and Ministry of Finance and Planning, Law and Order, Education, Local Government, Land, Cultural, Social Welfare and Rural Infrastructure Development and Construction, it was brought to account as an expenditure of the Uva Provincial Press Advance Account as well and as such that expenditure had been doubled in the consolidated financial statements.
- (b) Interest amounting to Rs.72,438 in respect of the payment of installments for vehicles purchased under leasing facilities, for the year 2015 had not been included in the consolidated financial statements.

2.2.5 Appropriation Accounts

The following accounting deficiencies were observed in audit.

- (a) The closing balance of Rs.4,295,789 as at 31 December 2014, of the Movement of Non-current Assets Report in the Appropriation Account of the Uva Provincial Department of Revenue Commissioner for the year 2014 had been shown as Rs.2,625,529 as at 01 January 2015 and as such, the non-current assets had been under stated by Rs.1,670,260.
- (b) The unsettled imprest balance amounting to Rs.2,124,715 shown in the Summary Report of the Imprest Accounts in the Appropriation Account of the Uva Provincial Department of Revenue Commissioner for the year 2014 had not been brought forward as opening balance in the Summary Report of the Imprest Account of the Appropriation Account as at 01 January of the

year 2015. As such the unsettled imprest balance as at 31 December in the year under review had been unstated by the same amount in the Appropriation Account.

- (c) The total of the Non-current Assets Movement Report of the Office of the Uva Provincial Deputy Chief Secretary (Financial Management) amounting to Rs.9,806,218 as at 31 December 2014 had been brought forward as Rs.9,711,634 as at 01 January 2015 understating by Rs.94,584.
- (d) Even though the total credits during the year of the Imprest Account of the Uva Provincial Co-operative Employees Commission as at 31 December 2015 should be Rs.8,753,012, it was shown as Rs.9,202,040 in the Summary Report of the Imprest Account according to the Appropriation Account, overstating by Rs.449,028.

2.2.6 Unreconciled Control Accounts

The following matters were observed.

- (a) The difference between the unsettled imprest balances in respect of each institution shown in the consolidated financial statements presented to audit and the corresponding balances according to the accounts of the respective institutions amounted to Rs.7,988,079 as at 31 December 2015.
- (b) There was a difference of Rs.13,603,060 between the balances of the General Deposit Accounts of 03 institutions included in the consolidated financial statements as at 31 December 2015 and the corresponding balances according to the accounts of those institutions as at that date.
- (c) There was a difference of Rs.44,995,380 between the total of the Summary of the Individual List of balances of Provincial Public Officers Loans and Advance Account and the balances of the Control Accounts of the 4 institutions of Uva Provincial Council.
- (d) According to the Departmental books, the balance of the Provincial Public Officers Loans and Advance Account of the Co-operative Commission as at 31 December 2015 amounted to Rs.1,654,259 whereas that balance according to the Provincial Treasury Books amounted to Rs.1,869,114, thus there was a difference of Rs.214,855.
- (e) According to the Departmental books, the total of the individual balances of the loans and advances account of the Co-operative Commission as at 31 December 2015 amounted to Rs.1,867,834 whereas the total of the Summary of Individual balances amounted to Rs.1,770,284 thus there was a difference of Rs.97,550.
- (f) According to the Books and Registers of the Office of the Deputy Chief Secretary (Personnel and Training), the total provisions made for the Divisional Secretariats in the year 2015 amounted to Rs.35,092,572. But according to the Computer Printout of the Provincial Treasury, the total of those provisions amounted to Rs.38,576,000 thus there was a difference of Rs.3,483,428.

- (g) There were differences of Rs.18,839, Rs.128,907 Rs.70,102 and Rs.68,644 in respect of opening balance, debits for the year, credits for the year and the closing balance between the balances shown in the Appropriation Account of the Office of the Uva Province Governor and the corresponding balances shown in the Provincial consolidated financial statements.
- (h) According to the summary of the control accounts of the Advance Accounts and the Deposit Accounts in the Appropriation Account of the Council Secretariat, the balance of the Advances to Public Officers Account amounted Rs.11,847,539. Nevertheless, according to the consolidated financial statements that balance amounted to Rs.10,915,204, thus there was a difference of Rs.932,335.
- (i) There were differences of Rs.4,418,699, Rs.352,265, Rs.328,875 and Rs.4,418,699 in respect of opening balance of the imprest account, total debits for the year, total credits for the year and the closing balance between the summary report of the imprest account furnished with the Appropriation Account of the Office of the Deputy Chief Secretary (Planning) and the corresponding balances shown in the consolidated financial statements.
- (j) There were differences of Rs.103,298, Rs.9,906,306, Rs.1,172,311 and Rs.959,095 in respect of opening balance, debits during the year, credits during the year, and the closing balance of the Public Officers Advance Account, between the balances according to the Departmental Books shown in the summary of the control accounts for the advance accounts and the deposits Accounts of the Appropriation Account of the Provincial Department of Revenue Commissioner and the balances of the Public Officers Advance 'B' Account.
- (k) There were differences of Rs.4,198,677, Rs.4,461,177 and Rs.8,659,854 in respect of debits during the year, credits during the year and the closing balance of the General Deposit Account, between the Summary Report of the Advance Accounts and General Deposit Accounts included in the Report furnished with the Appropriation Account of the Provincial Department of Education and the Reports of the Provincial Treasury.
- (l) The total of the column of the Financial Regulation 66 and 69 transfers in the DGSA 2 Format of the Appropriation Account of the Provincial Department of Revenue Commissioner amounted to Rs.1,312,092 and the total of the same column of DGSA 3 Format amounted to Rs.12,000, thus a difference of Rs.1,300,092 was shown.
- (m) A difference of Rs.300,192 had remained between the total of the Summary of the Individual List of Balances furnished as at 31 December 2015 and the closing balance of the Control Account due to non-inclusion of the loan balances of the Provincial Department of Road Development properly when transferring the loan balances and not updating those balances thereafter.
- (n) The total of the Summary of the Individual List of Balances as at 31 December 2015 of the Uva Provincial Department of Health Services amounted to Rs.271,108,430 and the balance of the Control Account of the Department amounted to Rs.278,119,235 due to non-inclusion the loan

balances properly when transferring the loan balances and not - updating these balance subsequently thus a difference of Rs.7,010,805 was observed.

2.2.7 Accounts Receivable and Payable

The following matters were observed.

- (a) The debtor balance amounting to Rs.40,869,376 as at 31 December 2015 in the Seeds Potatoes Account which shown as assets in the consolidated financial statements had not been settled for over 10 years period.
- (b) The financial irregularity amounting to Rs.440,990 occurred in the Department of Agriculture before 10 years had been shown in the consolidated financial statements as an unsettled balance even as at 31 December 2015.

2.2.8 Imprest Accounts

The following matters were observed.

- (a) An imprest balance amounting to Rs.289,471 remained according to the books of the Internal Audit Department as at 31 December 2015 had not been disclosed in the consolidated financial statements of Uva Provincial Council.
- (b) The imprest balances totalling Rs.19,755,852 remained as at 31 December 2015 in 04 institutions of the Uva Provincial Council had not been settled to the Provincial Treasury in terms of Provincial Financial Rules 366.5.

2.2.9 General Deposit Accounts

According to the age analysis of the balances of the General Deposits as at 31 December 2015, action had not been taken to clear the deposits older than 2 years of 21 institutions totalling Rs.66,347,999 in terms of the Financial Regulation 571.

2.2.10 Provincial Public Officers Advance Accounts

The following matters were observed.

- (a) The balance of the Provincial Public Officers Advance Account included in the consolidated financial statements of the Uva Provincial Council as at 31 December 2015 amounted to Rs.1,321,591,714 and that balance included a debit balance totalling Rs.3,881,161 of 06 accounts and a credit balance totalling Rs.1,520,663 of 03 accounts remained unsettled for over 10 years.

- (b) A difference of Rs.461,008,732 had remained between the balances of the Provincial Public Officers Advance Accounts of each institution included in the consolidated financial statements of Uva Provincial Council as at 31 December 2015 and the corresponding balances as at that date according to the accounts of those institutions.
- (c) Even though the Maximum Limit of Expenditure for the year under review of the Uva Provincial Department of Health Services amounted to Rs.160,000,000, the total debits during the year amounted to Rs.163,203,342 thus, the Maximum Limit of Expenditure had been exceeded by Rs.3,203,342.

2.2.11 Lack of Evidence for Audit

----- Non-submission of Information for Audit -----

According to the bank statement relating to the Quality Input Account of the B/Baduludena Vidyalaya, the evidence had not been furnished to confirm the way of incurring a sum of Rs.184,405 paid from the bank account from November 2011 to February 2012.

2.2.12 Non- compliance with laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
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<p>(a) Establishments Code -----</p> <p>(I) Chapter XIX Section 5</p> <p>(II) Chapter XIX Section 5.6</p>	<p>(i) House rent for June 2014 to December 2015 had been under recovered by Rs.49,529 from officers who occupied scheduled quarters.</p> <p>(ii) House rent had not been recovered from an officer of the Ministry of Health, Indigenous Medicine, Probation and Child Care and Women's Affairs.</p> <p>Approval of the Secretary to the Ministry had not been obtained to assess economic rent and to recover from teachers and principals quarters of 31 schools of the Zonal Education Office, Bandarawela.</p>

(III) Chapter XXIV Section 4

The loan balances amounting to Rs.8,772,792 recoverable from officers deceased, retired, vacated of posts and interdicted in 08 Ministries and Departments of the Provincial Council had not been recovered.

**(b) Code of Uva Provincial Council
Financial Rules**

(I) Rules 137, 138

Approval had not been obtained for the payments of uniform allowances for 26 officers of the Office of the Deputy Provincial Director of Health Services, Monaragala in respect of the year 2015.

(II) Rule 215 (3)(1)

Even though a part of a provision of the current year existing under any Object should not be transferred to Reserves, General Deposits or Suspense Account with an intention of, to make payments in ensuing years, provisions of Rs.23,804,052 had been transferred by the office of the Deputy Chief Secretary (Personnel and Training) to General Deposits Account to incur foreign travelling.

(III) Rule 751

Thirty three concrete benches valued at Rs.118,800 given to the Office of the Medical Officer of Health Haputale and to Clinic Centers on 31 December 2014 had not been included in the Registers of Fittings even by 04 December 2015.

(IV) Rule 751 (1)

Sixty eight learning equipment valued at Rs.221,142 received on 17 March in the preceding year for the informal educational courses of the Zonal Education Office, Moneragala had not been included in the Stock Registers.

(c) National Budget Circular

1/2014 – 01 January 2014

Expenditure amounting to Rs.12,864,187 incurred for Employees Training and Skills Development of 11 Ministries and Departments of Uva Provincial Council had been debited to the Recurrent Object No.1102 instead of Capital Object No.2401.

(d) Other Circulars

Circular No.01/2010 of Director,
Pensions dated 25 May 2010

The contributions of Public Service Provident Fund amounting to Rs.230,288 payable on behalf of the employees who employed on casual basis from March to August 2015 in the Office of the Deputy Director of Health Services, Moneragala had not been paid.

(e) Circular of Commissioner General of Inland Revenue No.Sec/2013/07 of 01 September 2013 and Sec/2015/05 of 06 July 2015.

The Pay As You Earn Tax amounting to Rs.221,602 had not been deducted from 15 officers of 02 Ministries and Departments of Uva Provincial Council and had not been remitted to the Commissioner General of Inland Revenue and as such a penalty of Rs.22,160 also had to be paid thereon.

3. Revenue Management

The following matters were observed.

- (a) An adverse variance of Rs.24,645,959 was observed between the estimated tax revenue and the actual revenue of Uva Provincial Council for the year under review.
- (b) The decrease of the actual revenue from the estimated revenue of 02 Revenue Items had been 25 per cent and 94 per cent respectively.
- (c) A revenue amounting to Rs.1,467,280 remained as at 31 December 2015 had not been remitted by the Provincial Department of Revenue to the Provincial Treasury.
- (d) The total net revenue collected during the year under review shown in the Consolidated Revenue Account had not agreed with the total of the Revenue Accounts of the Provincial Treasury, Office of the Deputy Chief Secretary (Engineering Services) and Department of Land Commissioner by Rs.22,906, Rs.47,825 and Rs.29,282,512 respectively.

- (e) Revenue of Stamp Duty, Business Turnover Tax and Courts Fines in the Revenue Account of the Department of Provincial Commissioner of Revenue had not agreed with the Revenue Registers of the Provincial Treasury by Rs.1,130,282, Rs.83,171 and Rs.10,011,447 respectively.
- (f) The receivables revenue of the Uva Provincial Council had not been assessed in terms of Provincial Financial Rules 142.1.
- (g) An arrears of revenue amounting to Rs.174,800 recoverable for the land given on a lease to the Peoples Bank Branch, Ambagasdova, Uva Paranagama had not been recovered by the Divisional Secretariat, Uva Paranagama.
- (h) A portion of a State Land had been given by the Divisional Secretariat, Thanamalvila to a person for residential and commercial purposes under a long term lease basis. In terms of the letter No.4/10/15824 of the Land Commissioner dated 17 December 1998, it was informed to recover 4 per cent of the present commercial value of the land as annual rental, despite that, the rental had been recovered on undeveloped value and as such the rental had been under recovered by Rs.1,701,900 during the period from 17 September 1998 to 17 September 2015.
- (i) A State land in the Divisional Secretariat area, Medagama had been given to residential purposes on an annual permit in the year 2008, while the arrears of rental relating to the years 2013 and 2014 amounting to Rs.84,000 had not been recovered even by 06 July 2015.
- (j) Even though the economic rent of 18 quarters belonging to the Office of the Deputy Director of Agriculture, Moneragala had been assessed by the Government Valuer in the year 2014, new assessment rent had not been recovered from those quarters and as such a revenue amounting to Rs.203,235 had been deprived.

4. Financial Review

4.1 Financial Result

According to the financial statements presented, the operations of the Provincial Council Fund for the year ended 31 December 2015 had resulted in a deficit of Rs.19,060,020,997 as compared with the corresponding deficit of Rs.15,720,806,957 for the preceding year. A deterioration of Rs.3,339,214,040 was observed in the financial results for the year under review as compared with the preceding year.

4.2 Revenue and Expenditure

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

	Revenue					
	2015			2014		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue relating to the Provincial Council						
Tax Revenue	2,370,600,000	2,345,954,041	(24,645,959)	2,102,456,000	2,051,316,974	(51,139,026)
Non Tax Revenue	234,400,000	381,233,297	146,833,297	277,544,000	545,164,047	267,620,047
Government Grants	16,336,170,000	19,120,042,171	2,783,872,171	19,380,202,600	16,432,566,144	(2,947,636,456)
Total	18,941,170,000	21,847,229,509	2,906,059,509	21,760,202,600	19,029,047,165	(2,731,155,435)

	Expenditure					
	2015			2014		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Recurrent Expenditure						
Personal Emoluments	11,513,998,000	15,212,553,092	3,698,555,092	11,289,862,552	11,053,931,370	235,931,182
Other Recurrent	3,673,002,000	3,378,081,841	(294,920,159)	3,716,408,098	2,815,402,656	901,005,442
Sub Total	15,187,000,000	18,590,634,933	3,403,634,933	15,006,270,650	13,869,334,026	1,136,936,624
Government Investments	3,736,170,000	3,196,573,402	(539,596,598)	4,995,084,591	4,447,953,952	547,130,639
Total	18,923,170,000	21,787,208,335	2,864,038,335	20,001,355,241	18,317,287,978	1,684,067,263

The total expenditure for the year under review amounted to Rs.21,787,208,335. Out of that, 85 per cent and 15 per cent represented recurrent expenditure and capital expenditure respectively.

5. Fund Accounts/ Authority Accounts and Commercial Advance Accounts

5.1 Fund Accounts

5.1.1 Governor's Fund

A sum of Rs.1,500,000 allocated in the Annual Financial Statements for the year 2015 had been credited by the Office of the Uva Province Governor to a savings account on behalf of the Governor's Fund and that amount had not been utilized for the achievement of the objectives of the Fund up to 31 December 2015.

5.1.2 Chief Minister's Fund

The following matters were observed.

- (a) In re-investing Fixed Deposits valued at Rs.2,500,000 during the year under review it had not been effectively invested so as to earn interest income favourable to the Fund after being enquired financial market interest rates.
- (b) The follow up action on the utilization of aids for the respective purposes had not been taken relating to the Medical aids, Education aids and Poor Relief Fund aids amounting to Rs.2,175,000, Rs.874,000 and Rs.25,000 respectively paid during the year under review from the Chief Minister's Fund.

5.1.3 Contingency Fund

The Governor had not formulated the Rules relating to the Trust of the Contingency Fund, Receipts to the Fund, Withdrawals from the Fund and related or ancillary matters in terms of the Section 20(3) of the Provincial Council Act No.42 of 1987.

5.1.4 Hindu Cultural Affairs Fund

The objectives of the Fund established as per the Section 2 of the Hindu Cultural Affairs Statute No.03 of 1991 had not been achieved during the year under review.

5.1.5 Buddhist Affairs Development Board

Out of the 10 general objectives to be achieved as per the Section 4 of the Statute No.01 of 1993 of the Buddhist Affairs Development Board (Incorporation) of the Uva Province, 09 Objectives had not been achieved during the year under review.

5.1.6 Housing Development Fund

The following matters were observed.

- (a) According to the Statement of Changes of the Accumulated Fund for the year ended 31 December of the year under review, the balance of the Accumulated Fund as at 01 January 2015 amounted to Rs.7,383,831. Nevertheless, the balance as at 31 December 2014 amounted to Rs.9,348,643. As such a difference of Rs.1,964,812 was observed.
- (b) The particulars relating to the recoveries of the Regional Development Bank loan installments amounting to Rs.1,110,546 shown in the financial statements prepared for the year ended 31 December of the year under review had not been furnished to audit.

5.1.7 Co-operative Development Fund

The following matters were observed.

- (a) As the ledger accounts required for the preparation of financial statements in the year under review had not been prepared, the accuracy of the financial value reflected in the financial statements could not be established.
- (b) The value of the equipment amounting to Rs.547,079 purchased in the year under review had not been brought to account as assets in the statement of financial position.
- (c) Excess of revenue amounting to Rs.2,086,097 in the year under review had been adjusted to the Co-operative Development Fund as Rs.2,075,097 and as such the balance of the Co-operative Development Fund had been understated by Rs.11,000.
- (d) The written evidence had not been furnished to audit relating to the balances and the transactions of Rs.765,630 in the financial statements prepared for the year ended 31 December of the year under review.
- (e) The annual contribution should be paid each year by every registered Co-operative Society as not more than 10 per cent of the annual profit or not less than a sum of Rs.100 in terms of the Section 43(ii) of the Uva Province Co-operative Statute No.03 of 2011. Nevertheless, only 100 Societies out of 1256 Registered Societies had paid contributions.

5.1.8 Uva Provincial Passenger Transport Authority

The following matters were observed.

- (a) The balance of the fund remained in the People's Bank, Badulla under the name of the Bibila Bus Stand Development Fund amounting to Rs.325,000 had not been disclosed in the statement of financial position.
- (b) Log sheet charges and entrance charges amounting to Rs.1,425,920 had not been recovered by September 2015 from the buses running within the province and inter provincial bus services.
- (c) According the test check carried out relating to the Badulla Bus Stand, the licenses of the conductors for 178 buses had not been renewed and as such the revenue deprived by the Authority amounted to Rs.302,600.
- (d) Even though 53 new Road Permits had been issued by the Authority during the year 2015, action had not been taken by the Management to increase the revenue by issuing permits under competitive quotations with following procurement process in the year under review as in the preceding years in issuing new road permits.
- (e) According to a decision of the Board of Directors of the Authority on 02 August 2008, Tickets Machines Method should be implemented for the buses managed by the Authority. Nevertheless, the management had failed to introduce the Ticket Machines for the buses even by the end of the year under review.

(f) Non - compliance with Laws, Rules, Regulations etc

**Reference to Laws, Rules, Regulations
etc**

Paragraph 21 of the Statute No.1 of 2001 of the Uva Provincial Passenger Transport Authority

Uva Provincial Financial Rules 431.7.2

Non-compliance

An approved Recruitment Procedure had not been established even by the end of the year under review.

The provisions relating to the audit had not been included in the Statute of the Uva Provincial Passenger Transport Authority No.01 of 2001.

(g) Management Inefficiencies

The following matters were observed.

- (i) Even though one objective of the Road Development Projects was for carpeting of roads to reduce the running time of the buses in those roads, action had not been taken to reduce the running time of the buses registered in the Uva Province Passenger Transport Authority running through such carpeted roads within the Uva Province.

- (ii) A Fund had not been established to settle the liabilities could be arised in future in respect of the employees gratuity payments in accordance with the provisions of the Employees Gratuity Act No,12 of 1983 and the Accepted Accounting Principles.

5.2 Commercial Advance Accounts

5.2.1 Carpentry School Advance Account

The expenditure for Electricity, Water and Salaries of Advisory Officer – in charge which could be specifically identified for the production amounting to totaling Rs.8,555,576 had been shown under Hypothetical Charges Account instead of debiting to the Manufacturing, Trading and Profit and Loss Account.

5.2.2 Light Engineering Advance Account

The following matters were observed.

- (a) According to the financial analysis presented with the Light Engineering Advance Account a difference of Rs.2,017,782 had remained between the cash balance as at 31 December 2015 and the balance of the cash book.

- (b) Despite that, the salaries of the officers in charge and watchers amounting to Rs.887,821 and the expenditure for water and electricity amounting to Rs.23,113 incurred during the year under review could be identified separately, those expenditure had been included in the Hypothetical Charges instead of debiting the Manufacturing and Profit and Loss Account. As such the profit for the year had been overstated by Rs.497,583.

5.2.3 District Mechanical Workshop Advance Account

According to the annual financial statements, the limit of the minimum credits of the District Machinacal Workshop Advance Account Activity amounted to Rs.40,000,000. Nevertheless, the collected revenue during the year under review amounted to Rs.27,647,654, thus it was not reached to the minimum credits limit by Rs.12,352,346.

5.2.4 Artistic Textile Industries Advance Account

Water and electricity charges amounting to Rs.42,509 and salaries for officer in charge and watcher amounting to Rs.5,167,236 paid during the year under review had not been considered in computing factory overhead cost in the Manufacturing Account and that expenditure had been included in the Hypothetical Charges Account.

5.2.5 Okkampitiya Seeds Farm Commercial Advance Account

The following matters were observed.

- (a) According to the accounting policies presented, it was stated that the value of the unfinished-materials will be taken into account at the total production cost. Nevertheless, the value of the 03 months old plant nursery as at 31 December of the year under review had been computed only including the labour cost. Therefore the value of the plant nursery computed as Rs.811,069 was incorrect as the value of the materials such as fertilizer, medicinal items and packing materials to be included thereon had not been included.
- (b) A General Ledger had not been maintained in respect of the financial statements prepared for the year ended 31 December of the year under review.
- (c) The actual expenditure for the additions in the current year included in the land and buildings as at 31 December of the year under review amounted to Rs.3,517,685. Nevertheless, the value of the non-current assets of the current year had been overstated by Rs.3,573,808 due to inclusion of the estimated value of those amounting to Rs.7,091,493 in the financial statements.
- (d) Nine tractors, 05 bicycles, a thresh machine and a processing machine for seeds paddy which were removed from use and the period could not be identified specifically had been parked in the farm premises even by 31 December of the year under review, while suitable action had not been taken on those assets.
- (e) One thousand three hundred and fourty seven spare parts items which could not be used for the tractors and machinery using at present had been stored without being utilized and pertinent actions had not been taken on those spare parts even by 31 December of the year under review.
- (f) A balance amounting to Rs.33,301,727 had remained in the current account as at 31 December of the year under review, while the attention had not been paid to deploy those money for the alternative investments.

5.2.6 Boralanda Animal Farm Commercial Advance Account

The following matters were observed.

- (a) The ledger accounts and the subsidiary registers had not been maintained for the preparation of the financial statements and as such a reasonable assurance could not be established in audit on the accuracy of the financial statements prepared.
- (b) Balances of Rs.2,787,730 and Rs.8,545,234 had remained in the current account and the savings account respectively belonging to the Boralanda Animal Farm as at 31 December 2015, while the attention had not been paid to deploy those money in the alternative investment.

5.2.7 Special Advance Account to Import and Distribution of Seed Potatoes

The following matters were observed.

- (a) The Provincial Council approval had not been obtained relating to the maintenance of this Advance Account activity in terms of the provisions of the Provincial Council Financial Rules 500.
- (b) An advance amounting to Rs.67,000,000 had been obtained by the Uva Provincial Ministry of Agriculture in the year 2002 from the Chief Secretary for the programme implemented to import seed potatoes and selling to the farmers in respect of the Maha Season Cultivation. A sum of Rs.40,869,196 out of that advance had to be settled further to the Chief Secretary as at 31 December 2015. The loss incurred to the Provincial Council due to the negligence of the officers who operated this programme and the actions taken without planning, amounted to Rs.29,800,461.
- (c) A sum of Rs.4,893,741 to be recovered from an institution of Netherlands in respect of rejected seeds potatoes which had black spot disease had not been included in the account.
- (d) The recoverable balance of the debtors as at 31 December 2015 in respect of the advance account had been Rs.11,058,794. It included the balances totalling Rs.9,876,451 of 429 debtors unrecovered since the year 2010.

6. Operating Review

6.1 Performance

6.1.1 Government Grants

Particulars of provisions received for the Provincial Council Development work proposals and the utilization of those provisions are given below.

Source	Net Provision	Utilization	Savings	Savings Percentage
-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	%
Education	1,243,564,765	1,126,036,618	117,528,147	09
Health	565,446,753	536,354,888	29,091,865	05
Social Services	28,647,000	18,539,286	10,107,714	35
Provincial Road Project	1,312,000,000	470,269,512	841,730,488	64
Others	1,211,601,464	1,045,373,099	166,228,365	14
	-----	-----	-----	
Total	4,361,259,982	3,196,573,403	1,164,686,579	
	=====	=====	=====	

The following observations are made in this connection.

- (a) Sixty four per cent out of the net provisions allocated for the Provincial Road Project in the year under review had not been utilized.
- (b) Provisions of 35 per cent, 14 per cent, 09 per cent and 05 per cent out of the net provisions made under Social Services, Others, Education and Health respectively had not been utilized during the year under review.

6.1.2 Provincial Development Plan

Under the Provincial Development Plan for the year under review, 1192 project proposals for new works and continued works at an estimated value of Rs.1,006 million had been approved. The progress of the work proposals according to the progress report of the Provincial Council is shown in the following table.

Description of the Project	New Works	Continued Works	Total Work Proposals
-----	-----	-----	-----
Fully Completed	1043	106	1149
Completed over 50 per cent	17	-	17
Completed less than 50 per cent	18	-	18
Not Commenced	08	-	08
	-----	-----	-----
Total	1086	106	1192
	=====	=====	=====

6.1.3 Examination Results

A sum of Rs.10,408,520,810 had been incurred during the year 2015 to execute the main objectives of the Uva Provincial Department of Education under the Departmental Head and a sum of Rs.209,117,773 out of that, had been incurred for Primary and Secondary Education Quality Inputs. However, a review of subject wise results had not been carried out to upgrade the examination results and no evidence was made available that required actions had been identified to upgrade the results. The summarised information relating to the Examination Results of the year 2015 are given below.

Examination	Number of Students Sat	Number of Students Passed	Number of Students Failed	Number of Students Failed all Subjects
-----	-----	-----	-----	-----
Year 5 Scholarship	22373	18350	4023	-
G.C.E. (Ordinary Level)*	18269	12057	6212	748
G.C.E. (Advance Level)*	13762	8731	5031	1083

* According to the overall results, the Uva Province had obtained 7th place for G.C.E.(O/L) and 8th, 7th, 9th, 1st, 4th and 4th places for G.C.E. (A/L) Science stream, Physical Science stream, Commerce stream, Arts stream, Engineering Technology stream and Biological Technology stream respectively and also 6th place had obtained for the year 5 Scholarship Examination.

* No student had passed the English Subject for the G.C.E.(O/L) Examination during the period from the year 2012 to 2014 of 04 schools in the Passara Educational Zone. According to the G.C.E.(A/L) Examination held in the year 2014, no student in any school of the Zone had qualified to enter the University.

* Thirty programmes approved to implement during the year 2015, 09 programmes to upgrade the G.C.E.(O/L) results and 02 programmes targeted for G.C.E.(A/L) by the Passara Zonal Education Office had not been implemented even by 23 November 2015.

* The District wise overall standard relating to the year 5 Scholarship and G.C.E.(O/L) had been as follows.

Examination	District wise Place obtained on Overall Results	
	Badulla District	Moneragala District
-----	-----	-----
Year 5 Scholarship	22	23
G.C.E (O/L)	16	22

6.1.4 Other Performance

The following matters were observed.

- (a) Seven committees established in terms of the Rule 74 of the Uva Provincial Council Procedural Manual had not been in active position during the period from September 2014 to March 2016 since the commencement of the VI Provincial Council. Therefore according to the Action Plan prepared for the year 2015, the expected contribution had not been received from the committees to achieve the expected objectives.

Details are given below.

	Name of the Committee	Number of Meetings held during the Period
	-----	-----
I	Public Accounts Committee on Provincial Funds	Nil
II	Committee on Proposed Statutes and Rules	Nil
III	Committee on Activities of the Council	Nil
IV	Committee on Procedures and Rules	Nil
V	General Committee	Nil
VI	Committee on Common Amenities and Previlages	01
VII	Committee on Public Petitions	01

- (b) The progress Reports indicating the financial and physical progress of the Ministry of Uva Provincial Chief Minister and Finance and Planning, Law and Order, Education, Local Government, Land, Cultural Affairs, Social Welfare and Rural Infrastructure Facilities Development and Construction as at 31 December 2015 had not been prepared.
- (c) Even though the objectives and the functions should be shown in the annual financial statements in terms of the Provincial Council Financial Rule 6.2.5, the expected objectives and functions to be executed by the Office of the Deputy Chief Secretary (Financial Management) had not been disclosed.
- (d) There was a possibility to conduct 14 categories of quality tests in the Quality Control Laboratory belonging to the Office of the Deputy Chief Secretary (Engineering Services). It was observed that, the requests made by the external institutions for quality tests had accepted by the Laboratory Engineer without keeping a record and the tests were conducted and reports issued.

The charges for the tests had been decided by the Laboratory Engineer on his own discretion and the charges decided had not been approved by the Uva Provincial Council. The attention had not been paid to plan a formal procedure so as to earn high income to the Provincial Council by utilising the physical and human resources relating to the Quality Control Laboratory.

- (e) The equipment of the clinic for the Special and Disabled Children of the District Hospital, Bandarawela had remained idle in the respective unit due non-availability of the Consultant Medical Officer for the clinic.
- (f) The training programmes for the staff of the Department of Internal Audit to introduce new technology and the techniques had not been conducted in terms of the Provincial Financial Rule 133.5.13.
- (g) Five hundred and twenty acres of land had been distributed by the Uva Provincial Department of Land Commissioner for 261 rubber planters in the 03 Divisional Secretariat Divisions in collaboration with the Small Plantation Enterprises Development Foundation and Divisional Secretariat, Bibila during the years 2010, 2011 and 2012. It was revealed that 14 planters out of them only are keeping out rubber plantations even by 23 October 2015 and it was observed that objective of establishing the rubber plantation had been unsuccessful.
- (h) Forty eight plastic chairs which value was not disclosed purchased under Criteria Based Programme by the Divisional Secretariat, Buttala and 219 items of goods valued at Rs.444,229 purchased in the years 2014 and 2015 had been kept in the stores without being distributed to the respective beneficiaries even by 04 December 2015.

6.2 Management Inefficiencies

The following observations are made.

- (a) As the debtors had not paid outstanding debts after the arbitration award and after elapsed of 30 days the respective Co-operative Societies had furnished the request forms to the Department of Co-operative Development to file court cases. But the respective officers had not taken further action thereon, and the total of the loans to be recovered had been amounted to Rs.8,183,955. Action had not been taken in connection with this in terms of the instructions of the Internal Circular of the Uva Provincial Commissioner of Co-operative Development No.2012/01 dated 02 January 2012.
- (b) No action whatsoever had been taken by the Department of Co-operative Development in respect of 96 in-active arbitration debtors balances amounting to Rs.1,308,681 remained brought forward from the year 1972 shown in the final accounts of the year 2014 of the Udapalatha Multi-Purpose Co-operative Society Limited.

- (c) Even though an officer who employed as a Director of Zonal Education, Welimada had been attached to the Uva Provincial Department of Education from 15 February 2012, the salaries and allowances amounting to Rs.2,174,708, had been paid from that date up to December 2015 from the Zonal Education Office Welimada.
- (d) In an instance of a Provincial Council Member leave out the membership, the all loans recoverable to the Provincial Council should be recovered in lump sum payment in terms of the Circular of the Secretary of the Ministry of Provincial Council and Local Government No.01/2001 dated 28 March 2001. Nevertheless the loans recoverable totalling to Rs.1,003,100 from 5 Provincial Council Members who selected to the Parliament in the year 2015 had not been recovered in lump sum by the Uva Provincial Council Secretariat in terms of the above provisions. In addition to this, the eligibility to obtain loan facilities to a Council Member appointed in an interim period should be computed by calculating the total loan proportionately between the period from the appointing date for the Council Membership and the date of the abrogation of Provincial Council. Contrary to that, loans totalling Rs.100,000 had been overpaid by the Uva Provincial Council Secretariat to 2 Council Members.
- (e) The loan balances of 3352 officers transferred out from the Provincial Department of Education amounting to Rs.57,373,463 and the loan balances of 934 officers who come on station transfers amounting to Rs.24,779,547 had not been settled in terms of the provisions of the Circular of the Uva Provincial Chief Secretary No.2004/01 dated 08 January 2004.
- (f) Loan balances of 33 officers transferred out from the Ministry of Chief Minister and Finance and Planning, Law and Order, Education, Local Government, Land, Cultural Affairs, Social Welfare and Rural Infrastructure Facilities Development and Construction totalling Rs.1,361,554 and loan balances of 24 officers who come on station transfers amounting to Rs.606,221 had not been settled in terms of the provisions of the Circular of the Uva Provincial Chief Secretary No.2004/01 dated 08 January 2004.
- (g) The loan balances of 31 officers who were in the Office of the Deputy Chief Secretary (Planning) and transferred out from the year 1995 amounting to Rs.1,399,912 had not been recovered in terms of the Circular of the Uva Provincial Chief Secretary No.2004/01 dated 08 January 2004, Chapter XXIV of the Establishments Code and the Provincial Financial Rules 485(4). The loan balances of 32 officers who come on station transfers to the Department from the year 1994 to 2014 amounting to Rs.1,402,858 had not been settled even by 31 December 2015.
- (h) Combined allowances amounting to Rs.32,500 had been paid to Acting Accountant of the Office of the Regional Director of Health Services, Moneragala relating to the period from January to August 2015 contrary to the letter No.EST/7/TRAVEL/06/3030 dated 29 June 2011 of the Director General of Establishments.
- (i) In terms of Section 04 of the Circular No.13/2010 dated 16 December 2010 and the Section 06 of the Circular No.03/2013 dated 20 September 2013 of the Director General of Pensions, the

payments should be stopped when completion of the age of 26 years of the children who entitled as dependents for the Widows and Orphans pensions of the deceased person. Even though 26 years of age of a dependent nominated as dependents was completed as at 19 August 2013, a sum of Rs.355,841 had been overpaid by the Zonal Education Office, Moneragala as dependent allowance from that date to November 2015.

- (j) The rent payable amounting to Rs.218,784 as at 31 December 2014 for maintenance of the offices of the Agriculture Instructors in the buildings of farmers committees had not been settled by the Deputy Director of Agriculture, Moneragala.
- (k) In terms of the Office Circular of the Uva Provincial Chief Secretary No.2014/1 dated 08 January 2004, the loan balances of the offices who come on station transfers and transferred out from each Ministry and the Department should be settled through the accounts summaries. Nevertheless, action had not been taken to settle 04 outstanding loan balances amounting to Rs.531,149 and 24 debtor balances valued at Rs.1,246,499. Even though the loan balances of officers transferred out from the Provincial Council to other Provincial Councils and to the institutions of the Central Government and the loan balances of the officers who come on station transfers should be settled as lump sum payments, 838 creditors balances amounting to Rs.26,303,832 and 1049 debtors balances amounting to Rs.52,695,291 had not been settled accordingly.
- (l) The profit amounting to Rs.15,188,767 earned by the Okkampitiya Seeds Farm for the year 2014 had not been remitted to the Provincial Council during the year 2015.

6.3 Operating Inefficiencies

The following matters were observed.

- (a) Even though, 48 apprentices had been enrolled to the Carpentry Training Centers of the Uva Province operated under the Department of Industries Development in the year 2015, only 19 apprentices had completed the training.
- (b) The arrears of the electricity bills of the schools of the Welimada Educational Zone as at 30 October 2015 amounted to Rs.833,437. The follow up action on the unusual usage of electricity in 16 schools had not been carried out.
- (c) A sum of Rs.9,474,376 had been retained in the General Deposit Account of the Zonal Education Office, Badulla consisting of Rs.6,893,458 as abatements from the pay sheets for the Public Service Provident Fund from the year 2013 to 2014 and Rs.2,580,918 as deductions from the gratuities of the pensioners who retired from the year 2010 to 2015.
- (d) A pre-school consisting of 64 students had been operated by an external party from 16 March 2000 in a building of Education Development Centre belonging to the Zonal Education Office,

Badulla by charging fees at the rate of Rs.850 per student and it was allowed to improper usage of Government resources without taking formal measures thereon.

- (e) The 304 items of materials and equipment provided to the Divisional Secretariat, Bibila for the distribution among beneficiaries by the Uva Provincial Ministry of Finance and Planning under Special Development Projects in June 2014 had been handed over back to the Provincial Council on 18 July 2014. Even though it was informed to complete the distribution of materials and equipment before June 2014 provided in terms of the Paragraph 03 of the letter of the Secretary to the Ministry of Finance and Planning dated 29 May 2014, 1188 equipment had been retained in the stores even by 19 October 2015.
- (f) Even though, producing goods for Government and Private orders and providing training for apprentices on making iron goods and doors and windows are the main objectives of commencement of Light Engineering Training Institutions, only 2 apprentices had been enrolled to the Light Engineering Institute, Beragala for training for the year 2015 whereas the trainees for Engineering Institute, Medagama had not been enrolled.
- (g) During the test check carried out relating to the stores belonging to the Department of Probation and Child Care it was revealed an excess of goods in the stores valued at Rs.228,525 relating to 09 items.
- (h) Even though it was recorded in the stock book of the stores, that 08 plastic tables valued at Rs.46,360 had been purchased by the Department of Probation and Child Care on 22 July 2015, it was observed at the physical examination that 05 tables valued at Rs.28,975 had not been supplied.

6.4 Assets Management

At the examination carried out on medical stores of Regional Hospital, Badalkumbura on 06 November 2015, it was observed, that a shortage of 75,132 units and an excess of 7010 units of 13 drugs and 36,000 units relating to 03 categories of drugs stocks received by the stores during the period from May to November 2015 had remained as nearing expiration.

6.5 Transactions of Contentious Nature

The following matters were observed.

- (a) Out of the works administration expenses given by the Department of Agrarian Development for the works implemented in the year 2014, a sum of Rs.151,500 had been utilized by the Uva Provincial Irrigation Department for the foreign tours expenses.
- (b) A BMW motor vehicle had been purchased by the Ministry of Uva Provincial Chief Minister and Finance and Planning, Law and Order, Education, Local Government, Land, Cultural Affairs, Social Welfare and Rural Infrastructure Facilities Development and Construction by incurring a

sum of Rs.9,400,000 without obtaining the prior approval of the General Treasury and the Finance Commission to purchase vehicles under Provincial Specific Development Grants in terms of the Finance Commission Circular No.FC/PSDG & CBG/Circular/2011/1 dated 06 July 2011. Seven differences between the purchase of the vehicle and the related specifications approved had been reported by the Provincial Mechanical Director.

- (c) In execution of works, supplies and services from the account of the School Development Society of the B/Welimada Vijaya Vidyalaya action had been taken to spend Rs.184,286, Rs.561,445 and Rs.170,600 without calling quotations in 06 instances, without authorizing the payments and certifying the expenditure in 09 instances and without a formal technical evaluation in one instance respectively.
- (d) According to the letter of the Secretary of the Ministry of Local Government and Provincial Councils No. පීඑච්/6/11/301 dated 11 May 2011, it was informed that further actions should not be taken relating to the salaries, allowances and other facilities for the positions such as Provincial Leader of the House, Chief Government Whip, Leader of the Opposition and the Chief Whip of the Opposition. Contrary to the above instructions and Section 25 of the Provincial Council Act No.42 of 1987, a sum of Rs.6,992,258 had been paid by the Council Secretariat as salaries and allowances for the period from September 2014 to 31 December 2015 for three position holders whom had not been approved.

6.6 Apparent Irregularities

The following matters were observed.

- (a) A sum of Rs.337,173 in the Quality Inputs Account of the B/Baduludena Vidyalaya had been utilized by the Principal for personal purposes.
- (b) A sum of Rs.133,325 had been over paid to the contractor in payments made for washing clothes from January to October 2015 in the Regional Hospital, Kataragama.

6.7 Under Utilisation of Funds

The following matters were observed.

- (a) The quality Inputs money of the schools in the Mahiyanganaya Educational Zone amounting to Rs.25,468,762 had been retained idle in the General Deposit Account of the Zonal Education Office without being utilised for the intended purpose.
- (b) The savings of the Quality Inputs money of the schools amounting to Rs.6,787,379 during the period from the year 2012 to 2014 had been retained in the General Deposit Account of the Zonal Education Office, Badulla and subsequently incurred for the imprest purposes of the office.

- (c) Under “Sisu Rakuma” Bursary Programme implemented by the Uva Provincial Ministry of Education with the objective of upgrading the educational level of the children who are not having the parents protection, a sum of Rs.100,500 out of the money sent to the banks for the payment of bursaries from the year 2012 to 2015 by the Zonal Education Office Bandarawela had been returned by the banks due to stating wrong account numbers. Those bursaries had been retained in the General Deposit Account of the Zonal Education Office, Bandarawela up to 08 December 2015 without being settled.
- (d) Out of a sum received for quality inputs from Zonal Education Office, Welimada to the B/Rathkarauwa Maha Vidyalaya in the year 2015 and previous years, a balance amounting to Rs.310,686 had remained as at 31 December 2015.
- (e) Out of the provisions of Rs.26,000,000 made in the annual financial statements for the Uva Provincial Rural Infrastructure Facilities Development Programme, a sum of Rs.1,255,175 had been incurred by the Ministry of Chief Minister and Finance and Planning, Law and Order, Education, Local Government, Land Cultural Affairs, Social Welfare and Rural Infrastructure Facilities Development and Construction for the entertainment expenses and purchases of office equipment deviating from the objectives of the programme.
- (f) Out of the provisions of Rs.15,000,000 made for the Special Rural Tours and Upgrading Very Poor Families Programme, a sum of Rs.2,421,163 had been incurred by the Ministry of Chief Minister and Finance and Planning, Law and Order, Education, Local Government, Land, Cultural Affairs, Social Welfare and Rural Infrastructure Facilities Development and Construction for the entertainment expenses and the ceremony activities deviating from the objectives.
- (g) Provisions of Rs.68,000,000 and Rs.92,766,142 had been allocated by the annual financial statements 2015 under Object 704-3-7-2502(12) and through supplementary estimates respectively for the Development of Regressive and Isolated Villages Project, whereas a sum of Rs.9,347,729 had been incurred by the Ministry of Chief Minister and Finance and Planning, Law and Order, Education, Local Government, Land, Cultural Affairs, Social Welfare and Rural Infrastructure Facilities Development and Construction for the repairs of the schools and purchases of equipment contrary to the objectives of the project.

6.8 Idle and Underutilised Assets

The following matters were observed.

- (a) Computers and Accessories provided for the Learning Centre of the M/Kandawinna Maha Vidyalaya by incurring a sum of Rs.364,506 in the year 2009 had not been utilized even by 25 November 2015 due to the disconnection of the electricity of that centre.
- (b) Six vehicles belonging to the Office of the Regional Director of Health Services, Moneragala had been parked idling in various places without being making repairs.

- (c) Three official quarters belonging to the Office of the Regional Director of Health Services, Moneragala had not been occupied due to non-repairing for over a long period.
- (d) Teachers and Principals quarters of 35 schools belonging to Banadarawela Educational Zone had remained idle without being utilized.
- (e) Fourty two teachers quarters of Schools belonging to Welimada Education Zone had been utilized for another educational activities without being occupying and 06 teachers quarters had been closed without being utilized. Nine teachers' quarters which are not suitable to occupy had remained decaying.

6.9 Identified Losses

The following observations are made.

- (a) In paying arrears of salaries to 04 employees of the non-academic staff of the schools who had been given permanent status, a sum of Rs.288,439 had been overpaid by the Zonal Education Office, Bandarawela.
- (b) A sum equivalent to American Dollars 88,200 had been paid by the Office of the Deputy Chief Secretary (Personnel and Training) as course fees for a foreign training course to the Asian Technological Institute, Thailand during the year under review. Nevertheless, the officers had been participated only for the courses valued at American Dollars 22,400. Accordingly, a sum of Rs.8,685,600 equivalent to American Dollars 65,800 had been overpaid to the Asian Technological Institute, Thailand.
- (c) Action in terms of the Uva Provincial Council Financial Rules 103.6 had not been taken on estimated loss incurred amounting to Rs.1,953,001 in respect of a cab vehicle met with an accident on 15 May 2015 when using the cab for a personal matter of a temporary driver of the personal staff of the Chief Minister. Action had not been taken to proceesd legal actions on the accident even up to 07 December 2015 while a copy of the Police Report, the report on the spot examination and files relating to the legal actions were not made available for audit.
- (d) Action in terms of the Provincial Financial Rules 104 had not been taken in respect of 05 vehicle accidents caused in the office of the Regional Director of Health Services, Moneragala amounting to Rs.1,828,647 during the period from the year 2012 to 2014.

6.10 Deficiencies in Contract Administration

The following observations are made.

(a) Attampitiya Water Supply Scheme

Under the Isolated Villages Development Special Project, a contract amounting to Rs.1,820,575 had been entered into by the Haliela Pradeshiya Sabha, for the Attampitiya Water Supply Scheme. According to the estimate the size of the water pipe lines carrying water to the tank should be fixed by 1 inch size of Type 1000. Nevertheless, the length of 100 metres had been fixed by Type 600 and pipelines of 26.5 meters had not been fixed under the ground level.

(b) Dodangolla Water Supply Scheme

Under the Isolated Villages Development Special Project, a contract amounting to Rs.1,997,887 had been entered into by the Ella Pradeshiya Sabha, for the Dodangolla Water Supply Scheme. Even though the constructions of the project should be completed before 06 February 2015, the work had not been completed even by 08 October 2015 and a Feasibility Report relating to the project as well had not been obtained.

(c) Construction of Agriculture Activities Building of the M/Amunekandura Maha Vidyalaya

A contract amounting to Rs.2,374,049 had been entered into by the Deputy Chief Secretary (Engineering Services) for the construction of the Agriculture Activities Building of the M/Amunekandura Maha Vidyalaya. The following deficiencies were observed at the physical examination carried out there on 16 February 2016.

- i. Even though, a sum of Rs.126,651 had been paid to fix windows, a gap of about 06 mm had been shown between the window frames and the wall in various places.
- ii. Even though a sum of Rs.110,055 had been paid to fix doors a gap of about 06-08 mm had been shown between door frames and the wall in various places.
- iii. The specifications in respect of the formation of equipment supplied had not been prepared.
- iv. The site layout had been done by cutting soil about 10 feet depth in a flat land by removing the soil and the building had been constructed. Due to cutting the site as above, the section with the slope had been faced to earth slips.

(d) Repairs to the Aesthetic Unit of the B/Orubandiwewa Maha Vidyalaya

A contract amounting to Rs.1,226,229 had been entered into by the Deputy Chief Secretary (Engineering Services) on 10 June 2015 for repairing Aesthetic Unit of the B/Orubandiwewa Maha Vidyalaya and sums of Rs.115,600 and Rs.19,394 had been paid to supply, fix and paint the doors and to fix and paint the windows respectively. It was revealed at the physical examination carried out on 15 February 2016 that the finishing work of the doors and windows was not in a satisfactory position and it had applied varnish instead of enamel paint.

(e) Construction of the Science Laboratory of the M/Maduruketiya Primary Vidyalaya

A contract amounting to Rs.2,366,511 had been entered in to by the Deputy Chief Secretary (Engineering Services) on 05 May 2015 to construct Science Laboratory of the M/Maduruketiya Primary Vidyalaya. Even though, all works of the contract should have been completed by 15 October 2015, the work had not been completed even by 16 February 2016. The liquidated damages amounting to Rs.1,401,906 to be recovered for the delayed period in terms of the agreement had not been recovered from the contractor.

(f) Construction of School Building of B/Marangahawela Vidyalaya

A contract amounting to Rs.3,027,248 had been entered into by the Deputy Chief Secretary (Engineering Services) on 15 May 2015 to construct the school building of the B/Marangahawela Vidyalaya. The deficiencies observed at the physical examination carried out on 17 February 2016 are given below.

- i Even though the work should have been completed by 05 August 2015, certain parts of the work had not been executed even by the date of examination.
- ii The sand supplied for the construction site was not in a proper standard.
- iii The unauthorised temporary electricity power supply had been obtained from the school to the work site.
- iv The backyard of the building had not been leveled by making the site layout. The soil cut and removed had been put in front of the building and as such it may be faced to washed away and the attention had not been paid in respect of the possible damage to the building occur in the future.
- v The underground wires had not been fixed for 10 electric fans already fixed.

(g) Construction of Computer Laboratory Building of B/Udayaraja Maha Vidyalaya

A contract amounting to Rs.2,263,140 had been entered in to by the Deputy Chief Secretary (Engineering Services) on 06 May 2015 to construct the Computer Laboratory Building of the B/Udayaraja Maha Vidyalaya. The following deficiencies were observed at the physical examination carried out on 18 February 2016 thereon.

- i As the roof of the building constructed and the roof of the adjoining building were closed to each other a sum of Rs.93,000 had been paid under extra works to fix rain gutters made by hard timber to the length of 12 meters. Due to non-identifying the proposed land properly in preparation of estimates and in the constructions an additional cost as above had to be incurred.
- ii A gap of about 05 mm had shown between the window frames fixed and the wall in various places.

6.11 Staff Administration

6.11.1 Approved Cadre and Actual Cadre

The position of the approved cadre and actual cadre of the Uva Provincial Council as at 31 December 2015 is given below.

(a) **Ministries/ Departments and Offices of the Provincial Council**

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
-----	-----	-----	-----	-----
(i) Senior Level	1,304	893	411	-
(ii) Tertiary Level	3,257	2,714	543	-
(iii) Secondary Level	21,751	21,220	531	-
(iv) Primary Level	5,959	7,067	-	1,108
(v) Other (Casual/ Temporary/ Contract Basis)	-	1,237	-	1,237
Total	32,271	33,131	1,485	2,345
	=====	=====	=====	=====

The following observations are made in this connection.

- (i) One thousand four hundred eighty five vacancies consisting of 411 Senior Level posts, 543 in Tertiary Level posts and 531 in Secondary Level posts had existed as at the end of the year under review.
- (ii) One thousand one hundred and eight primary level employees and 1237 other casual employees had been deployed in the service in excess as at the end of the year under review while a formal approval had not been obtained for those recruitments.

(b) **School Staff**

Category of Employees	Approved Cadre	Actual Cadre	Vacancies	Excess
(i) Principals	1,011	601	410	-
(ii) Teachers	16,334	17,947	-	1,613
(iii) Supporting Staff	622	1,382	-	760
Total	17,967	19,930	490	2,373

The following observations are made in this connection.

- (i) Action had not been taken to fill 410 vacancies existed in the posts of principals as at the end of the year under review.
- (ii) Even though 2373 persons consisting of 1613 persons for teachers service and 760 persons for supporting staff had been deployed in excess as at the end of the year under review, formal approval thereon had not been obtained.

6.11.2 Staff Administration on Education

The following observations are made.

- (a) Thirty one teachers who are not covering any teaching period, 08 teachers who were attached to another schools and 08 teachers attached to the duties of the Uva Provincial Department of Education had employed in 07 schools of the Badulla Educational Zone.
- (b) Three teachers who are obtaining salaries from the salary sheets of the B/Lunugala Maha Vidyalaya had been attached to the other schools.
- (c) The teachers of Sri Lanka Teachers Service had been appointed as acting principals of 40 schools in Mahiyanganaya Education Zone and 08 officers of the Sri Lanka Principals Service had been deployed to cover the subjects in other schools.

- (d) Four school aids and school labourers had been attached to Mahiyanganaya Zonal Education Office, without deploying in the services of the respective schools.
- (e) Nine teachers of Sri Lanka Teachers Service who draw salaries from the salary sheets of 09 schools of the Mahiyanganaya, Education Zone had been attached to other schools and National Schools.
- (f) Twenty one teachers who draw salaries from the salary sheets of other schools of the Badulla Education Zone, and from the schools belonging to other Education Zones had been attached to 12 urban area schools of the Badulla Education Zone. Fourteen teachers out of them had not covered any subject period, while two teachers had been attached to national schools.
- (g) Four schools of Ella Division had not been supervised during the year 2015, while 22 schools had not been supervised even at least once in a school term.
- (h) Three teachers who draw salaries from other Schools had been attached to B/Rathkarauwa Maha Vidyalaya, and 02 teachers who draw salaries from the salary sheets of that school had been attached to other schools.
- (i) Three teachers of the staff who draw salaries from B/Bogahakumbura Maha Vidyalaya had been attached to Zonal Education Office, Welimada, Wangiyakumbura National School and to the staff of the Uva Provincial Council Member respectively, while 3 teachers who draw salaries from other schools had been attached to B/Bogahakumbura Maha Vidyalaya and had not been deployed to cover adequate number of periods.
- (j) Even though a teacher should teach 35 periods of 40 minutes per week in terms of the Circular No 2003/38 of the Secretary of the Ministry of Education, dated 07 November 2003 it was observed that 10 teachers of B/Welimada Vijaya Vidyalaya had covered the teaching periods ranged from 04 to 19 and 02 teachers had not covered any teaching period.
- (k) Two teachers who draw salaries from B/Welimada Vijaya Vidyalaya had been attached to other schools, and 3 teachers who draw salaries from other schools had been attached to B/Welimada Vijaya Vidyalaya.
- (l) Teachers of the Sri Lanka Teachers Service had been appointed for the posts of principals on acting basis in 33 schools of Passara, Education Zone.
- (m) Despite that, 11 teachers of Principals Grade of 10 Provincial Schools of the Monaragala Education Zone had been deployed in the teachers service, teachers who are in teachers grade had been appointed for the posts of principals in 53 schools.
- (n) It was revealed that 42 teachers in schools of Medagama, Education Zone had employed in excess for a long period.

6.11.3 Administration of Other Staff

- (a) Despite that 07 vacancies of Veterinary Medical Officers had existed, the duties of good stores and other office duties had been assigned to a Veterinary Medical Officer, according to the instructions of the letter of the Director of the Department of Animal Production and Health dated 17 July 2015.
- (b) An officer appointed to a post of Primary Teacher by the letter of the Secretary of the Uva Provincial Public Service Commission dated 25 April 2007 had been attached to Uva Provincial Ministry of Education from 06 June 2007 to 05 November 2015 and assigned the duties of the Assistant Management Service and a sum of Rs.2,038,011 had been paid as salaries and allowances during that period. The duty leave to this officer had been approved to participate for the Teacher Training Programmes which provides within the Professional curriculum to the officers in the Sri Lanka Teachers Service and had been awarded a promotion in the “Post of Trained Teacher”.
- (c) Salaries of Rs.2,163,480 had been paid to 10 Development Officers who are in excess in the Office of the Deputy Chief Secretary (Planning) from July to December in the year under review.
- (d) Even though a former Deputy Chief Secretary in the Office of the Deputy Chief Secretary (Planning) had been attached to the Ministry of Agriculture, Irrigation, Animal Production, Fresh water Fisheries, Industries, Transport and Tourism, from 29 October 2014, a sum of Rs.1,113,208 had been paid by the Office of the Deputy Chief Secretary (Planning) as salaries for the year 2015.
- (e) A Warden had been recruited on contract basis for the Post of Assistant Warden in the Sevana Childrens Home, Bibila and had been appointed for the post of Assistant Warden Grade (iii) on 01 October 2013 contrary to the Recruitment and Promotion Procedure of the Post of Assistant Warden and a sum of Rs.403,138 had been paid as salaries for the period from January 2014 to July 2015.

6.12 Vehicle Utilisation

- (a) Even though the Secretary of the Ministry of Health, Indigenous Medicine, Probation and Child Care Services and Women’s Affairs had obtained the monthly vehicle fuel allowance for 170 litres of fuel per month for his official vehicle from September 2014 to July 2015, the official vehicle had not been used for running by utilizing that fuel. Even though an officer who entitled to use an official vehicle should not be used the pool vehicles in terms of the Public Administration Circular No.11/2006 dated 11 July 2006, that officer had used the pool vehicles and 3384.25 litres of fuel valued at Rs.344,856 had been utilized thereon.

- (b) Even though the fuel allowance for the Government Officers should be granted on the basis of the average price of the petrol and diesel in terms of the National Budget Circular No.01/2014 dated 01 January 2014, a sum of Rs.30,430 had been over paid to the Secretary to the Ministry of Health, Indigenous Medicine, Probation and Child Care Services and Women's Affairs for the period from 01 January 2014 to 31 July 2015.
- (c) One hundred and sixty fuel litres valued at Rs.18,368 obtained through 06 fuel orders from March 2014 to July 2015, for the cab vehicle No.53-1518 belonging to the Zonal Education Office, Moneragala had not been included in the Running Charts of that cab vehicle.
- (d) Even though an officer who entitled to use an official vehicle should not be used the pool vehicles in terms of the Public Administration Circular No.11/2006 dated 11 July 2006, the Secretary to the Ministry of Road Development, Housing, Water Supply and Estate Infrastructure Facilities Development had used pool vehicles in addition to the official vehicle and 1160 litres of fuel valued at Rs.110,200 had been utilized from January to July 2015. Further, it was revealed in audit that the official vehicle as well as pool vehicle had been utilized in the same date.

6.13 Supervision of Local Authorities

6.13.1 Arrears of Revenue

The following matters were observed.

- (a) Rates and other arrears of revenue of the Local Authorities of the Uva Province as at 31 December 2015 totalled Rs.346,438,045.
- (b) In terms of the provisions of the Municipal Council and Urban Councils (Amendment) Act No.42 of 1979 and Section 129(2) of the Pradeshiya Sabha Act No.15 of 1987, the recoverable courts fines and stamp duties to the Local Authorities amounting to Rs.65,725,453 and Rs.79,233,274 respectively had not been received by the Local Authorities from the respective authorities.

6.13.2 Amount Receivable on Surcharge Certificates Issued

A sum of Rs.6,852,700 was receivable as at the end of the year under review in respect of surcharge notices issued against the officers and the Councillors of the Local Authorities of the 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

7.2.1 An adequate internal audit had not been carried out on 53 institutions of the Provincial Council during the year 2015 and the reports relating to the internal audits carried out on 30 institutions had not been issued.

7.2.2 An adequate internal audit had not been carried out during the year under review in the following institutions.

- (a) Uva Province 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) Local Authorities
- (f) Divisional Secretariats
- (g) Road Development Department
- (h) Six Ayurveda Hospitals, 19 Central Dispensaries and 01 Osu Uyana
- (i) Base Hospitals, District Hospitals, Central Dispensaries and Offices of the Medical Officers of Health.

7.3 Audit and Management Committees

7.3.1 In terms of the Management Audit Circular No.DMA/2009(1) dated 09 June 2009, the Audit and Management Committees had not been established in the Local Authorities of the Uva Province, Management Development Training Institute, Uva Provincial Department of Rural Development and Offices of the Deputy Directors of Agriculture, Badulla and Moneragala.

7.3.2 The follow up actions in respect of the decisions taken in the Audit and Management Committee Meetings held during the year 2015 had not been carried out.

7.4 Procurement Plan

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

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	27.08.2014	23.04.2015
2013	10.02.2015	28.04.2016
2014	21.09.2015	14.07.2016

7.6 Limits of Advance Accounts

The minimum limit of the receipts authorized by the Annual Appropriation Statute for the activities of the Public Officers Loans and Advances Accounts of 04 offices of the Uva Provincial Council had not been revised.

Name of the Institution	Minimum Limit of the Receipts Authorized by the Appropriation Act	Actual Receipts
	Rs.	Rs.
Office of the Deputy Chief Secretary (Planning)	1,400,000	3,246,975
Public Service Commission	700,000	1,897,979
Office of the Deputy Chief Secretary (Administration)	1,500,000	2,204,427
Governor's Office	800,000	1,705,114
Total	<u>4,400,000</u>	<u>9,054,495</u>

8. Systems and Controls

Special attention of the Provincial Council is needed in respect of the following areas of systems and 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
- (i) Provincial Lands Management