

Central Provincial Council - 2015

The audit of financial statements of the Central 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. A detailed report to be tabled in the Provincial Council on the observations appearing in this report will be issued in due course.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International 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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Audit 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 Central 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

(a) The Accounts of the Provincial Council Fund had been presented for audit on 30 March 2016.

(b) Other Accounts

The progress of presentation of other accounts of the Provincial Council relating to the year under review as at 31 March 2016 is given below.

Particulars of Accounts	Accounts for the year 2015		
	Total No. of Accounts	No. of Accounts Presented	No. of Accounts not Presented
(i) Appropriation Accounts	34	34	-
(ii) Revenue Accounts	02	02	-
(iii) Advances to Provincial Council Officers' Accounts	66	64	02
(iv) Commercial Advance Accounts	05	03	02
(v) Fund Accounts	02	02	-
(vi) Statute Accounts *	04	04	-
(vii) Other Advance Accounts	01	01	-
	114	110	04
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* Regional Economic Development Association (REDA) had not presented Accounts from 2008 to 2014.

2.2.2 Management of Provisions

The following observations are made.

- (a) The entire estimated provision of Rs.9,625,000 made under 06 Objects in 3 Heads of Ministries and Departments had been saved.
- (b) The entire estimated provision of Rs.939,000 made under 12 Objects in 09 Heads of Ministries and Departments had been transferred to other Objects.
- (c) An expenditure of Rs.9,920,518 which should have been shown under capital expenditure had been shown under recurrent expenditure.

2.2.3 Imprest Accounts

According to the books of the Provincial Treasury, the unsettled imprest balance as at the end of the year under review totalled Rs.1,093,265 and it consisted of a debit balance of Rs.1,072,481 and a credit balance of Rs.20,784. It was observed that this credit balance had been the amount of Rs.20,784 excessively settled relating to the imprest given to the Thumpane Divisional Secretary.

2.2.4 Remittance Accounts

The balance of the remittance account maintained for charges recovered from Pawnbrokers bearing account No.80074310 included in the cash and bank balances under the statement of Financial Position amounted to Rs.725,100. Nevertheless, accounting to the bank confirmation it was Rs.13,725,100 and as such a difference of Rs.13,000,000 was observed.

2.2.5 Deposit Accounts

- (a) There was a balance of Rs.462,332,378 in the Provincial Treasury General Deposit Account and action in terms of Financial Regulation 571 had not been taken in respect of deposits remained for more than 2 years in 17 institutions.
- (b) Contrary to the Principal Objectives of the Provincial Council, fixed deposits totalling Rs.1,264,475,868 had been maintained in 2 state banks.

2.2.6 Advances to Provincial Council Officers

The total advance balances of the Provincial Council Officers in 40 Ministries, Departments and Divisional Secretariats remained unrecovered for a long period amounted to Rs.149,556,454. Of that, a sum of Rs.63,843,182 for periods from 1 to 4 years and a sum of Rs.85,713,272 for periods from 4 to 24 years had remained outstanding. Further, in the rectification of the Provincial Council Officers advance of Rs.6,444,000 subsequently paid by the Wilgamuwa Zonal Education Office accounted under salaries and wages, the limit of debit balance of the Provincial Council

Officers Advance Account of the Provincial Departments of Education had exceeded by Rs.5,135,038.

2.2.7 Non reconciliation of accounts

Differences of Rs.16,461,141 were observed between the accounts presented by each Department and the Provincial Fund Accounts (Provincial Treasury Books) as follows.

Description of account	Balance as per Accounts of each Department	Balance as per Central Provincial Council Fund Account	Difference
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	Rs.	Rs.	Rs.
Imprest Account	417,570	510,476	(92,906)
General Deposit Accounts (3)	5,043,177	5,010,056	33,121
Advances to Provincial Council Officers Account	14,437,625	14,560,268	(122,643)
Remittance Account	13,725,100	725,100	13,000,000
Current Liabilities (4 balances)	1,204,128	382,002	822,126
Current Assets (3 balances)	162,575	470,838	(308,263)
Sundry Liabilities (2 balances)	3,401,074	271,368	3,129,706
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Total	38,391,249	21,930,108	16,461,141
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2.2.8 Non- accounting of Fixed Assets

Fixed assets had not been shown in the statement of Financial Position presented by the Provincial Council and notes to financial statements had also not been disclosed stating that such fixed assets were in existence. According to the non-current assets movement reports presented to audit along with the Appropriation Accounts, it was ensured that the Provincial Council had existed fixed assets valued at Rs.1,449,155,414 by the end of the year under review.

2.2.9 Accounts Receivable and Payable

The following observations are made.

- (a) A sum of Rs.20,000,000 paid on 31 December 2010 for the purchase of a property owned by a private party for the commencement of the Udadumbara Siddhartha Primary school, had been remained in the general deposit account of the Divisional Secretariat, Ududumbara. Even though

the tenure of this land had been taken over by the Zonal Director of Education, Theldeniya on 20 June 2012, the land had not been purchased even by 31 December 2015.

- (b) Contributions of the Widows and Orphans Pension funds amounting to Rs.686,767 recovered from the salaries of public officers of the Central Provincial Treasury Department of Health, Ayurveda Department and the Industries Development Departments had not been remitted to the Director General of Pensions.
- (c) A sum of Rs.64,750 collected in 3 instances from Zonal Education Offices of Katugasthota, Matale and Gampola as aids to Kandy Cancer Centre had been retained in the General Deposit Account of the Central Province Department of Education without being sent to that centre.
- (d) A sum of Rs.48,983 received from sale of Ranawiru flags during the period from 08 August 2014 to 16 October 2014 had been retained in the general deposit account of the Central Province Department of Education without being remitted to the Ranawiru Seva Authority.
- (e) A sum of Rs.74,425 received during the period from 19 December 2013 to 17 December 2014 for the “Shilpabhimani Harasara” celebration had been retained in the general deposit account of the Central Province Department of Education. Deposits of Rs.41,275 thereof had elapsed for more than 2 years.
- (f) A sum of Rs.15,000 received on 26 July 2012 for the Sri Lanka Trilanguage Program had been retained in the general deposit account of the Central Province Department of Education.
- (g) The unpaid Public Grants and Medical Grants amounting to Rs.18,400 in the year 2014 and 2015 had been retained in the general deposit account of the Laggala Divisional Secretariat for periods from 03 to 14 months without being posted to the current years Object as a surcharge.

2.2.10 Lack of Evidence for Audit

The following matters were observed.

(a) Unreplied Audit Queries

Replies to 31 audit queries issued in the year under review to various Ministries, Departments and offices of the Provincial Council had not been presented up to 30 June 2016.

(b) Non- rendition of Information

Fifteen assets balances valued at Rs.134,547,299 and 16 liability balances valued at Rs.1,168,840 included in the final account of the Central Provincial Council could not be satisfactorily verified in audit due to non- availability of evidence and information.

2.2.11 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 etc.,

Non-compliance

(a) Acts

(i) Public Service Provident Fund Act No.18 of 1942 as amended by Act No.17 of 2003

Provident funds amounting to Rs.1,166,968 relating to the salaries paid to the officers served in the Minister's staff during the year under review totalling Rs.5,834,342 had not been remitted to the Public Service Provident Fund.

(ii) Section 7 of Stamp Duty Special Provisions Act No.12 of 2006.

Stamp duties of Rs.740,000 relating to the 4 Divisional Secretariats had not been remitted to the account of the Commissioner General of Inland Revenue.

(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka

(i) Chapter XII

A female Medical officer in the Regional Hospital, Mandaramnuwara had proceeded abroad without getting leave approved and salaries and overtime had also been paid to her for that period.

(ii) Section 5.3.1 of Chapter XIX

Although 10 per cent of the salary of an officer who is entitled to occupy a scheduled quarters should be recovered as house rent a sum of Rs.50,148 had not been recovered from the Medical Officer in charge of the PATTIYAPALLEGAMA Hospital for the period from January 2014 to June 2015.

(iii) Paragraph 5.6 of Chapter XIX

Without the approval of the Secretary to the Ministry and without an assessment from the Chief Valuer, a specific house rent had been recovered from 105 official quarters belonging to the office of the District Director of Health Services, Nuwaraeliya.

- (iv) Section 11.9.1 of Chapter XXIV Title deeds and the letter of Attorney had not been obtained in respect of property loans recoverable from 2 officers amounting to Rs.675,200 who had vacated their posts in the Zonal Education Office at Galewela and action had also not been taken to recover the loan balances.

(c) Financial Rules of the Central Provincial Council

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- (i) Paragraph (d) of Section 19 of the Provincial Council Act mentioned in Financial Rule 2.1 All receipts of the Provincial Council should be paid to the Provincial Council Fund. However, the revenue received from the canteen maintained by the Central Province Department of Education had not been credited to that Fund and collected by the welfare society itself. According to the information made available for audit the revenue so collected up to October 2015 amounted to Rs.149,900.
- (ii) Financial Rule 41 Revenue estimates in respect of Provincial Council Revenue for the year 2015 had not been prepared in 5 Divisional Secretariats in Matale District.
- (iii) Financial Rule 54 Action had not been taken to recover from the responsible parties or to take suitable action in respect of 20 damaged vehicles of the Department of Health.
- (iv) Financial Rule 54.5 and 54.6 Action had not been taken to submit a preliminary report or a complete report in respect of losses and damages occurred in 50 schools belonging to the Hatton Education Zone in the years 2009 – 2013.
- (iv) Financial Rule 64.2.2 (b) In making payments relating to the previous year during the year under review a certificate has to be obtained from an authorized officer. Without such a certificate a sum of Rs.927,654 had been paid in 10 instances at the office of the Deputy Director of Health Services, Nuwaraeliya.

- (vi) Financial Rule 85 Without an approval, payments had been made for 4 payment vouchers valued at Rs.891,632 in the Divisional Secretariat Laggala.
- (vii) Financial Rule 116.1 Action had not been taken to recover yield/ annual/ long term lease, vehicles taxes and exercise duties totalling Rs.2,027,178 by 6 Divisional Secretariats.
- (viii) Financial Rule 164 Eventhough the State Timber Corporation had not supplied office equipment, a cheque valued at Rs.385,000 had been written on 31 December 2015 by the Central Provincial Council Secretariat and retained in hand even by 31 March 2016 as relevant goods had not been received.
- (ix) Financial Rule 169.1 All payment vouchers should be certified by the certifying officer. Nevertheless, payments had been made for 4 vouchers valued at Rs.1,229,456 in the office of the Deputy Director of Health Services, Nuwaraeliya and 34 vouchers valued at Rs.3,945,039 in the Divisional Secretariats of Vilgamuwa, Laggala and Ukuwela without being certified.
- (x) Financial Rule 188.2.2 Unpaid salaries in the Central Province Department of Health to be credited to Surcharge Account, Provincial Revenue Account or other specific Account. However, unpaid salaries of 28 officers totalling Rs.779,419 had been credited to the deposit account.
- (xi) Financial Rule 261.2.2 Ad-hoc sub-impressts should be settled immediately after the relevant purpose is completed. Nevertheless, sub impressts issued by the Matale District office of the Director of Health Services in 76 instances valued at Rs.1,071,743 had not been settled eventhough the period from 01 month to 10 months had lapsed.

- (xii) Financial Rule 365.3 All capital expenditure of the advance account activities should be born from the expenditure Heads. However, capital expenditure of Rs.748,731 relating to the year 2015 in the Gurudeniya Education Development Centre had been incurred from the Commercial Advance Account.
- (xiii) Financial Rule 369.4 The maximum expenditure limit amounting to Rs.4,525,000 of the Commercial Advance Account bearing No.552202 in the Gurudeniya Education Development Centre authorized by the Appropriation Ordinance had exceeded by Rs.2,055,413 and maximum limit of expenditure of the Resources Centre Advance Account bearing No.550202 had exceeded by Rs.237,666 after being adjusted the accrued expenditure.
- (xiv) Financial Rule 471.1 All goods received by the institutions should be included in the stock book immediately. Nevertheless, 115 varieties of drugs valued at Rs.1,055,115 received to the Pattiypallegama Hospital from 13 invoices 71 varieties of drugs valued at Rs.317,109 received to the Udugama Atabage Hospital from one invoice and 23 items of office equipment and stationery items valued at Rs.741,154 purchased by the Nawalapitiya District Hospital in 15 occasions had not been posted to the stock books.
- (xv) Financial Rule 471.2 Eventhough all receipts and issues of stocks should be appropriately accounted, receipts and issues of stocks of drugs in 18 stores in the Medical Supplies Division had not been inventorised.
- (xvi) Financial Rule 476 Although all the Departments should conduct Annual Board of Surveys, such surveys had not been conducted in hospital stores belonging to the Department of Health, Offices of the Medical Officer of Health and 225 unit out of 233 other units for the year 2015.

(xvii) Financial Rule 477.2.1

The recovery of surcharges as per the Board of Survey Reports should be done within 3 months from date of commencement of the Survey. However, action had not been taken to recover the surcharges in respect of 37 schools belonging to the 3 Zonal Education offices in the Nuwaraeliya District from the year 2013 to 2015 even by January 2016 having been obtained the assessment reports.

(d) Circulars and Letters

(i) Public Administration Circular
No.K/857 dated 05
January 1987.

Although the rent recovered from the government quarters should be assessed annually, the rent of 20 government quarters belonging to the Walpane Zonal Education Office had been continuously recovered on the assessments made in the year 2011 and prior years.

(ii) Public Administration Circular
No.41/90 of 10 October 1990.

Eventhough the fuel consumption of government vehicles should be tested once in every 6 month, such a test had not been carried out in respect of 31 vehicles belonging to the office of the District Director of Health Services in Nuwaraeliya.

(iii) Sub- section 10.4 of Chapter
XXIV of the Establishments
Code as amended by circular
No.8/96 of 15 March 1996.

A valid surety bond had not been entered into in respect of distress loans of Rs.1,404,811 granted to officers who had less than 10 years of service in 10 instances in the year under review by the Department of Central Province Co-operative Development.

(iv) Public Administration Circular
No.2014/25 of 12 November
2014.

(i) The Road Development Authority had recruited 73 employees to the permanent cadre who had not completed 180 days continuous service and salaries amounting to Rs.26,553,642 had been paid to them in the year under review.

(ii) Eventhough the recruitments on temporary, casual, substitute, contract or relief basis can be done to the Provincial Public Service after 24 October 2014, only on the prior approval of the Department of

Management Services without such an approval, 14 employees had been recruited to the Road Development Authority.

- (v) Treasury Circular No.IAI/2002/02 dated 28 November 2002 of the Secretary to the Treasury. Eventhough a register of fixed assets for computers and accessories should be maintained in order to prevent misuse from the purchasing process to custodian, maintenance, repairs, and disposals. such a register of fixed assets had not been maintained in respect of computers belonging to the 156 schools attachaed to Nuwaraeliya Education Zone and the Zonal Education Office.
- (vi) Paragraph 06 of the General Circular No.999 dated 23 May 1979 of the Director of Health Services. Although foods should be essentially supplied to the patients by considering the diet circle as a part of treatment in certain instances foods recommended for patients by Medical Officers had not been provided to them and in certain instances foods less than the quantity recommended by Doctors and inferior quality foods had been provided. Accordingly it was observed that objectives of patients hospitality service could not be achieved as expected.
- (vii) Circular dated 17 March 1999 of the Secretary to the Health and Indigenous Medicine. Eventhough the normal duty hours of a Medical Officer from 8.00 a.m to 12.00 noon, according to a test check observed that outpatients treatment had not been done in Saturdays in 10 occations in the Pattiya pallegama District Hospital.
- (viii) Paragraph 6 of the Circular No, 024/01/2001 dated 28 March 2001 of the Ministry of Provincial Council and Local Government. (i) The Provincial Council should take action to recover all loan balances at once totally the membership of a Provincial Council is rescinded. Nevertheless, action had not been taken to recover the loan and advances of Rs.3,709,173 relating to 17 Provincial Councilors whose membership had been rescinded. Contrary to the circular provisions loan balances of 5 of them were being recovered by monthly installments and it was observed that the loan balances of other 12 persons had not

been recovered for a period ranging from 3 months to 111 months.

- (ii) Irrespective of the maximum loan limit of 40 per cent which can be recovered from the basic salary, loan advances had been given to 4 Councilors in a manner by recovering a 69 per cent installments.
- (iii) In granting advances a person who pays taxes and 2 Councillors should be guaranteed as sureties, contrary to that advances totalling Rs.1,350,000 had been granted in 3 instances by accepting two Councillors as sureties and the certificates of respect had also not been obtained.
- (ix) Circular No.04/2003 dated 20 March 2003 and 04/2008 dated 20 August 2008 of the Commissioner General of Lands. Five plots of land in Dambulla, Wilgamuwa, Naula, Ambanganga Korale and Laggala Divisional Secretariat areas had been encroached but action had not been taken to settle the ownership of those lands.
- (x) Circular No.2008/37 dated 09 September 2008 of the Secretary to the Ministry of Education. Eventhough students in a class should be limited to 40, Thithwelgolla Junior school at Galewela Zone had admitted 139 students to grades 2 to 4 classes in excess of that limit.
- (xi) Section 13.4 of the Circular No.7/2013 dated 28 November 2013 of the Secretary to the Ministry of Education. Donation received to the Galewela Primary School at Galewela Zone (building construction, receipts of equipments) in 24 occasions had not been posted to the register.
- (xii) Circular No.FC/03/03/2014 dated 31 December 2014 of the Secretary of the Finance Commission. Eventhough it was emphasized that administrative expenses should not be incurred from capital expenditure provisions, administrative expenses of Rs.3,485,113 had been incurred from capital provisions allocated to the Ministry of Sports, Youth Affairs, Women, Rural Development and Industries and the Departments attached to it under the Provincial Specific Development Grants.

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|--------|---|---|
| (xiii) | Circular No.2005/29 dated 30 September 2005 of the Secretary to the Ministry of Education. | Although the Information and Communication Technology Education Unit in the Thithawelgolla Junior School at Galewela Zone could be utilized during or after the school time the maximum usage had not been obtained from that centre as classes had not been conducted for education activities or external activities after school time. |
| (xiv) | Circular No.GPC/02/01/26 dated 14 August 2006 of the Secretary to the Central Province Governor | Payments totalling Rs.244,285 had been made by the Provincial Department of Education in the year comprising a sum of Rs.149,450 as allowance for the panel of judges, Rs.8,200 as qualitative supervision allowances, Rs.86,635 as foods and beverage charges in excess of the approved rates. |
| (xv) | Letter No.CPC/CS/06/06/02 dated 11 April 2003 of the Central Provincial Chief Secretary | Action had not been taken to get security deposits from 56 officers who were responsible for the custody of cash, stamps, properties, stores etc and officers who signed cheques and certified vouchers etc. |

(e) **Others**

Procurement Guideline 3.4.3

A sum of Rs.4,325,570 to a Security Services firm and a sum of Rs.2,950,458 for 5 tippers and 8 cabs used on hire basis for the service of the Road Development Authority had been paid by extending the period without calling for fresh bids after the period of agreements.

3. Revenue and Expenditure Management

According to the financial statements presented, a summary of the budgeted and actual revenue and expenditure along with variances for the year under review and the preceding year is given below.

	2015			2014		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue relating to the Provincial Council Subjects						
Tax Revenue	5,217,954,000	5,339,455,572	121,501,572	4,627,651,000	4,693,017,027	65,366,027
Non- tax Revenue	427,046,000	775,598,087	348,552,087	597,349,000	592,421,145	(4,927,855)
Government Grants	29,092,595,473	27,469,565,814	(1,623,029,659)	28,005,885,000	21,824,216,131	(6,181,668,869)
Total	34,737,595,473	33,584,619,473	(1,152,976,000)	33,230,885,000	27,109,654,303	(6,121,230,697)

3.1 Expenditure

Expenditure	2015			2014		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Personnel Emoluments	23,254,551,734	23,076,321,845	178,229,889	18,063,219,641	17,367,281,382	695,938,259
Others	5,393,847,079	4,921,696,483	472,150,596	4,781,496,965	4,294,165,994	487,339,971
Recurrent	28,648,398,813	27,998,018,328	650,380,485	22,844,716,606	21,661,447,376	1,183,260,230
Capital	4,799,644,002	3,787,923,779	1,011,720,223	6,000,967,683	4,565,578,175	1,435,389,508
Total	33,448,042,815	31,785,942,107	1,662,100,708	28,845,684,289	26,227,025,551	2,618,658,738

3.2 Arrears of Revenue

- (a) Arrears of revenue as at the end of the year under review and the preceding 2 years are given below.

	As at 31 December		
	2015	2014	2013
	Rs.	Rs.	Rs.
Tax Revenue	454,225,533	174,534,606	206,139,354
Non Tax Revenue	-	1,607,951	1,961,816
Total arrears	454,225,533	176,142,557	208,101,170

- (b) Eventhough it was stated that the arrears of motor vehicle revenue license fees in the 27 Divisional Secretariats as per the revenue accounts presented for the year under review totalled Rs.55,745,491, it was observed that those arrears were not correct as the motor vehicles which had been transferred from the Central Provincial Council to other Provincial Councils had not been identified and disposed.
- (c) In terms of Provincial Rule 76.1.7, a fine of Rs.638,600 due from long term lessees as a fine of 10 per cent imposed as a result of non payment of lease rent on due date had not been recovered by the Divisional Secretariat, Galewela.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, the operation of the Provincial Council Fund for the year ended 31 December 2015 had resulted a deficit of Rs.25,670,888,448 as compared with the deficit of Rs.20,941,587,379 for the preceding year, thus indicating a deterioration of Rs.4,729,301,069 in the financial results as compared with the preceding year.

5. Accounts of Authorities

Accounting policy No.1 furnished along with the statement of accounts stated that the accounts relating to the authorities and other institutions established under the Provincial Council had not been covered by the Fund Account. However, a sum totalling Rs.654,669,521, comprising the recurrent expenditure of Rs.357,372,007 and the capital expenditure of Rs.297,297,514 had been incurred from the Provincial Fund Account under Head 570 on behalf of the Provincial Road Development Authority.

6. Operating Review

6.1 Performance

6.1.1 Government Grants

Particulars of provisions received for the development works of Provincial Council and expenditures thereon are given below.

	Source	Provision Received	Expenditure	Utilisation Under/ (Over)
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		Rs.	Rs.	Rs.
(i)	Criteria Base Grants	380,000,000	299,978,803	80,021,197
(ii)	Provincial Specific Development Grants	1,510,000,000	1,003,204,099	506,795,901
(iii)	UNICEF	13,134,550	15,564,699	(2,430,149)

(iv)	Provincial Road Development Project	1,254,689,125	1,255,045,274	(356,149)
(v)	Pakistan Aids	2,174,025	2,174,024	1
(vi)	Basic Social Services Improvement Project	27,700,000	27,416,052	283,948
(vii)	Other Grants world Bank Aids			
	Education	313,519,194	484,019,779	(170,500,585)
	Health	355,000,000	527,480,513	(172,480,513)
(viii)	Line Ministry and Institutional Grants	71,237,919	71,237,919	-
	Total	3,927,454,813	3,686,121,162	241,333,651

6.1.2 Provincial Development Plan

Under the Provincial Development Plan for the year under review 6,159 work proposals, the estimated value of which amounted to Rs.1770.78 million had been approved for new and continued works. According to the progress report of the Provincial Council, the progress of work proposals is given in the following table.

Particulars	New Works	Continued Works	Total number of Work Proposals	Estimated Value of Total Works
				Rs. Million
(i) 100 per cent completed	5711	11	5722	1668.95
(ii) Less than 50 per cent completed	270	05	275	23.85
(iii) More than 50 per cent completed	23	69	92	72.10
(iv) Not commenced	67	-	67	3.18
(v) Disputed/ Problematic	3	-	3	2.70
Total	6,074	85	6,159	1,770.78

6.1.3 Examination Results

The following observations are made.

- (a) Out of the total number of students sat for the 5th grade scholarship examination island wide in 2015 amounting to 333,672, number of students sat for the examination under the 15 Zonal Education Office belonging to the Central Province amounted to 43,000. Of them the number of

students passed by exceeding cut off marks amounted to 2834 representing 6.59 per cent of the students sat for the examination in the Central Province. Number of students sat for this examination in the preceding year amounted to 43,595 and passed 4891 students, representing 11.22 per cent. Accordingly scholarship results of the year under review had declined by 4.63 per cent as compared with that of the previous year.

- (b) The percentage of students who obtained less than 70 marks from the students sat for the examination was 26.8 per cent. In considering Zonalwise, this percentage was 41.58 per cent in the Nuwaraeliya Zone. Except Kandy this percentage in all other zones had been more than 20. Accordingly, 11,538 students who obtained less than 70 marks had not reached to provable level required to study in the 6th grade.
- (c) Out of the 15 zones in the Central Province, passing percentage of 75 per cent of the G.C.E (Ordinary Level) examination had exceeded only in Kandy Zone. The failed percentages in Wilgamuwa, Nuwaraeliya, Gampola and Hatton Zones had been 45.03, 43.26, 40.18 and 40.04 respectively. The failed percentage in other 10 zones had exceeded 25 per cent. Further, 1,133 students representing 3.27 per cent had failed all subjects.
- (d) The number of students presented to the GCE (O/L) examination from the Central Province in the year 2015 amounted to 34,652 out of which 23,209 had qualified for GCE (A/L) examination or 66.98 per cent. Out of the overall results of the island, the Central Province had become the 5th place.
- (e) Out of the 26,046 students presented to the GCE (A/L) examination from the Central Province in the year 2015, the number of students who qualified for university entrance amounted to 15,967 or 59.38 per cent.

6.1.4 Other Performance

The following observations are made.

- (a) The Central Provincial Department of Education had spent a sum of Rs.20,332,587,037 in order to achieve its prime objectives during the year under review out of which a sum of Rs.16,442,083,231 under Provincial Council Objects and a sum of Rs.3,636,277,649 under the Central Government Provisions. In addition, a sum of Rs.222,311,356 under the School System Development Project as the Human Capital Basis for Knowledge Economy (TSEP) a sum of Rs.20,621,976 under Education Sector Development Project, a sum of Rs.10,439,611 under UNICEF Project, a sum of Rs.134,599 under 'Nanoda' program and a sum of Rs.718,615 under the Pakistan Aid had been spent. Nevertheless, there was no evidence to ensure whether necessary action identified to carry out a review of subject wise results in order to improve the examination results.
- (b) A provision of Rs.492,070,000 had been made for the year 2015 under the Education Development World Bank provisions from the annual estimates and the supplementary estimates to the project for the conversion of school system as a Human Capital Base for Knowledge

Economy. Nevertheless, a saving of Rs.145,349,047 or 29.53 per cent of them had been indicated. A physical performance report in respect of the amount of money spent had also not been prepared.

6.2 Management Inefficiencies

The following observations are made.

- (a) The lease period of the land given to a Training Institution on long term lease basis for commercial activities by the Divisional Secretariat, Dambulla had been completed in the year 2010. However, the lease rent had been in arrears for more than 5 years as action had not been taken either to renew the lease agreement or to get back the land.
- (b) The lease period of the land leased out to an entity located at Etawahena by the Divisional Secretariat, Dambulla for a long term period of 30 years at an annual rental of Rs.17,100 had to be completed as at 25 March 2016. However, any lease rent whatsoever had not been recovered since 2006.
- (c) Any rent whatsoever had not been recovered from lands given to the new businessmen and 17 occupants at Hettipola belonging to the Wilgamuwa Divisional Secretariat area. Eventhough these lands had been assessed in the year 2001, further action thereon had not been taken within a period of 15 years.
- (d) As action had not been taken to lease out 9 plots of government lands in the Pallepola Divisional Secretariat Division on long term basis as agriculture, commercial and residencies, revenue receivable to the government had been deprived.
- (e) Eventhough more than one year had elapsed after being ordered an equipment valued at Rs.124,700 by the Department of Health, the relevant supplier had failed to supply it.
- (f) Eventhough there were children between 45 to 50 in the 'Tikiri' childrens home only 10 beds and 31 cradles had been supplied and as such it was observed that sufficient facilities had not been supplied for children.
- (g) Despite there was no gluco meter to the District Hospital, Galagedara, 2000 blood glucose shripes valued at Rs.80,000 had been supplied.
- (h) A sum of Rs.31,297,567 had been paid to the Ceylon Electricity Board in 28 January 2013 to supply and installed 2 electric generators in the Central Provincial Council complex by the Chief Secretariat of the Central Provincial Council. Eventhough 2 years and 4 months had elapsed after paying the money up to 05 June 2015, one generator of them valued at Rs.14,723,764 had not been supplied and installed.

- (i) Eventhough 29 infution pumps valued at Rs.4,495,000 received by the Bio Medical Engineering Unit, on 12 December 2015 had been returned to the supplier on 12 January 2016, stating that it had not conformity with the specifications, action had not been taken to get back the equipment with required specifications even up to July 2016.
- (j) Without taking action to recover the total outstanding long balance of Rs.154,790 due from a female Counciller of the Central Provincial Council her Resignation Letter from the Post of Counciller had been accepted and as such the recoverable amount outstanding as at 31 December 2015 was Rs.48,937.
- (k) Eventhough 26 motor vehicles were being used by the office of the District Director of Health Services Nuwaraeliya, belonging to the other institutions, action had not been taken to vest the ownership of those vehicles in this office.
- (l) Motor cycles had been given to the 14 Probation Officers and one Development Officer under the UNICEF Project. Without implementing a procedure to get back them, motor cycles under the program giving motor cycles to field officers, they had been given motor cycles again.
- (m) Out of the 12 varieties of dried medicines requested by the Matale North Ayurveda Hospital for the year 2015, 12 varieties had not been supplied. Out of the dried drugs received, 10 varieties represented a low level ranging from 13 per cent to 45 per cent as a percentage of the ordered quantity.
- (n) Laptop computers given to the Ministers and members of the Provincial Council should be handed over back when they leave the Council. However, the value of unreturned 26 Laptop Computers by 31 March 2016 amounted to Rs.2,789,100.
- (o) Action had not been taken to recover the House rent from 9 houses belonging to the Walapane Education Zone.
- (p) Losses and damages valued at Rs.3,427,103 remained for the periods from 6 months to 2 years in the office of the District Director of Health Services, Matale had not been recovered.
- (q) Shortages of 4702 children's tables, 5200 children's chairs, 517 Teacher's tables and 640 Teacher's chairs existed in 85 schools of the Kotmale Education Zone.

6.3 Operating Inefficiencies

The following observations are made.

- (a) Lease rent amounting to Rs.162,600 relating to the years 2014 and 2015 and penalties of Rs.8,130 for the year 2014 receivable from 3 Samurdhi Sangamaya operated in the land which had been given to the Samurdhi Maha Sangamaya on long term lease by the Divisional Secretariat Rattota had not been recovered even by April 2016.
- (b) One hundred and one material items valued at Rs.314,310 purchased under the Provincial Development Program for the year 2014 had been retained in the Divisional Secretariat, Wilgamuwa for nearly 2 years without taking action to distribute them.
- (c) Eventhough the periods ranging from 4 months to 4 years had elapsed after being appointed the boards of inquiry to conduct preliminary inquiries in respect of 193 complaints received during the periods from 2011 to 2015 relating to the schools belonged to the 4 Zonal Education Offices, investigation reports thereon had not been presented even by February 2016.
- (d) Government Lands situated within the Divisional Secretariat Divisions of Dambulla and Pallepola had been distributed among the people by Swarnabhumi and Jayabhumi deeds and according to the agreements the owners of those lands had no any right to sell, dispose or to sub let those lands. Nevertheless, without making aware of the Divisional Secretariats, those lands had been sub- let to Private Telecommunication companies to install telephone transmission posts.
- (e) As lands in 85 schools belonging to the Galewela Education Zone had not been settled and marked their boundaries, various problems such as unauthorized constructions, unauthorized road constructions had arisen.
- (f) A mobilization advance of Rs.508,635 had been paid to the contractor on 30 November 2015 by the Ministry of Sports, Youth Affairs, Women Affairs, Rural Development and Industries in order to reconstruct the upper floor of the Kolambugolla Higher Technology Training Institute under the Provincial Specific Development Grants. As the construction work had not been completed as schedules, a sum of Rs.205,299 had been taken back on 31 December 2015 and retained in the Deposit Account of the Department of Industrial Development and Business Promotion.
- (g) Eventhough the contributions to the Widows and Orphans Pensions Funds had been recovered from 48 Teachers in Walapane and Nuwaraeliya Zones who had got appointments from 1994 to 2014, action had not been taken to get a W&OP number.
- (h) Eventhough 5 to 33 years had elapsed to issue 12 Swarnabhumi deeds and 198 Jayabhumi deeds respectively among the persons who tenured government lands in the Divisional Secretariat areas of Ukuwela and Dambulla, action had not been taken to distribute them.

- (i) The Value Added Tax amounting to Rs.279,559 recovered from certain contractors by the office of the District Director of Health Services had been retained in the general deposit account for a period of 25 months without being remitted to the Commissioner General of Inland Revenue.
- (j) Nineteen varieties of drugs valued at Rs.1,046,595 requested by the Pusellawa Regional Hospital from the estimates of the year 2015 had not been received and an excess stock of 17 varieties of drugs valued at Rs.91,312 in the Kandy Regional Medical Supplies Division had existed.
- (k) A provision of Rs.3,000,000 had been made to the Central Provincial Director of Education to provide 2400 sets of sportswear for the school sportsmen and women participate in the all island school tournaments. However, 3000 sets of sportswears had been purchased by spending a sum of Rs.2,925,000 for sportsmen and women and trainers after a lapse of 66 to 89 days after the date of sports meet was held in 2 instances. Out of the sportswear purchased 179 sets had been retained in the stores even by 10 June 2016 without being distributed.

6.4 Transactions of Contentious Nature

The following observations are made.

- (a) By utilizing the provisions made for emergency development requirements in the Provincial Ministry of Agriculture two ronio machines and one photo copy machine had been purchased valued at Rs.985,680 and Rs.141,525 respectively which could not be considered as emergency and one of the ronio machines had been issued to an Education Office.
- (b) Without following the procurement procedure, the Cleaning Services of the Ministry of Road Development, Transport, Power and Energy and Housing had been awarded to the Regional Economic Development Institution since 01 April 2015 by a Cabinet Paper. In comprising the quotations in the previous year with it, there was an increase of annual expenditure by Rs.558,000 without changing any activities.
- (c) A total sum of Rs.10,415,911, comprising a sum of Rs.7,125,784 under maintenance of assets Object in the year 2014 and 2015 and a sum of Rs.3,290,127 from the balanced Economic Development Project had been spent for making walking lanes and for the development of Janasaviya Sports Ground belonging to the Kundasale Pradeshiya Sabha which had not been considered as assets acquired from the Mahaweli. Eventhough the approval of the Finance Commission was requested for the improvement of this sports ground out of the Provision of balanced Economic Development Project, it was informed that its concurrence could not be given as this was not within the objective of the project. Despite that, this expenditure had been incurred.

6.5 Apparent Discrepancies

The following observations are made.

- (a) The Central Province Director of Education had requested from the Hatton Zonal Director of Education to sent the preliminary inquiry report and related documents in respect of preparation of fake documents by a teacher attached to a school belonging to the Education Zone Hatton to obtain a bank loan. Those reports had not been sent to the Provincial Director of Education even by 04 December 2015. Without taking disciplinary action against that teacher in terms of Section 8.2 of Chapter XLVII of the Establishments Code, a sum of Rs.344,666 had been paid to him as salaries from May 2015 to November 2015.
- (b) A sum of Rs.2,631,800 informally collected in 407 instances in the Hatton CIDA Centre had not been credited to the revenue by the co-ordinating officer in charge of that centre.
- (c) The female Assistant Director of Education who was attached to the Katugasthota Zonal Education Office and covering the duties of the English subject had not reported for duty in July 2015 and she had served in a Private School fulltime without an approval and taken a salary of Rs.51,514 for that month from the Katugasthota Zonal Education Office. Furthermore, it was observed that she had not reported for duties in the places where she had stated as outstation duties in 24 instances.

6.6 Idle/ Under Utilised Assets

The following observations are made.

- (a) Warps valued at Rs.200,735 being weaved in 05 centres in the Department of Textiles had not been completed for a period of more than one year and 265 Kg of threads valued at Rs.223,499 in 09 centres had not been issued for periods ranging from 2 to 8 years.
- (b) There were 3 Technicians in the Hindagala Textile Centre of the Department of Textiles for the colouring of thread and only the white colouring of thread had been done in this centre. It had taken 28 days for colouring of 290 Kg of thread received in the year 2015 in this centre and their idle time was 171 days.
- (c) Forty five machines, comprising 02 sewing machines, 13 winding machines, 27 weaving machines and thread processing machines in 9 centres of the Department of Textiles which had been subjected to verify had remained idle.
- (d) Nineteen motor vehicles belonging to the office of the District Director of Health Services, Nuwaraeliya had been retained idle in the office premises removed from running for about 8 years.

- (e) Thirty five government quarters belonging to the office of the District Director of Health Services, Nuwaraeliya had been idle without being occupied.
- (f) The generator given in February 2014 under the Rural Health Program to operate in the areas with no electricity had been kept idle in the office premises for a period of 2 years.
- (g) The maintenance unit of the office of the District Director of Health Services, Matale had not been in operation since the year 2013 and as such equipment in the maintenance unit had not been utilized.
- (h) Out of the money given in the previous years for qualitative inputs in 156 schools in the Nuwaraeliya Zone, a sum of Rs.6,109,719 had remained unspent by 01 January 2015. Out of the total sum of Rs.13,068,919 including a sum of Rs.6,959,200 received during the year under review, only a sum of Rs.2,826,284 had been spent during the year under review and as such a sum of Rs.10,242,635 had remained idle by 31 December 2015.
- (i) Out of the money given for qualitative inputs to 82 schools in the Nuwaraeliya Zone during the year under review, any money whatsoever had not been spent during the year and the idle money as at 31 December 2015 amounted to Rs.7,404,956.
- (j) A sum of Rs.3,369,400 had been given to 87 schools in the Walapane Zone during the year 2015 as qualitative inputs, according to the reports submitted by schools a sum of Rs.423,354 had been idle relating to the schools due to non use.
- (k) Three schools belonging to the Walapane Zonal Education Office had been closed down on various reasons. As a proper cause of action had not been taken in respect of these schools, the buildings of those schools were being dilapidated.
- (l) A jeep in the Walapane Zonal Education Office had been parked in the office premises for several years without being used.
- (m) Nine teachers quarters, 7 Entertainment houses, 2 principal quarters belonging to the Walapane Zonal Education Office had been idle in view of not occupied by any teacher. Further, 7 teachers quarters and 5 principal quarters had become dilapidated, as impossible to occupy.
- (n) The roofs of official quarters belonging to the Ankumbura Regional Hospital had been under dilapidated position and as such it had become idle without being occupied by any officer.

6.7 Uneconomic Transactions

The following observations are made.

- (a) Instead being participated the officers who were directly involved in teacher training and having prior experience in the teacher training workshop held in Thailand and Phillipene in respect of

school based management and school based Teacher Development, another 23 officers who were attached to the project had been participated and a sum of Rs.24,230,725 had been spent thereon from the Project Fund. (TSEP)

- (b) Despite 3 houses with 3 rooms had been allocated for the Council Members residential facilities, a sum of Rs.578,190 comprising Rs.134,000 to a private hotel for accommodation facilities to Council Members on the date of passing the budget for the year 2016 and a sum of Rs.19,000 for the printing of greeting cards by the Central Provincial Council Secretariat and a sum of Rs.425,190 for the purchase of eight fold, greeting cards and souvenirs by the Chief Ministry had been spent.

6.8 Irregular Transactions

The following observations are made.

- (a) The Principal of the Berawats Royal Primary School had collected a sum of Rs.1,594,600 at Rs.12,500 per student in the admission of students to the grade 01 in the year 2014 and deposited in the account of the Old Boys Association. Eventhough, the Principal had taken this money from time to time by stating the requirement of the school, written documents to ensure how the expenditure had been incurred were not made available. Further, in the admission of students to grade 01 in the year 2015, a sum of Rs.751,600 had been collected to the school Development Society's account without the approval of the Secretary to the Ministry.
- (b) The Ministry of Road Development, Transport, Power and Energy, Housing and Construction had paid an allowance totalling Rs.1,013,220 to 7 supervisory Ministers subject to a maximum of Rs.12,000 per month on a decision of a Board of Cabinet of the Central Provincial Council without the approval of the Governor.

6.9 Payments Contrary to the Objectives

The following observations are made.

- (a) Advances of Rs.500,000 given to the Department of Health on 29 December 2014 by the Disaster Pre preparedness Unit of the Ministry of Health had not been spent for the intended purposes and rain courts, boot shoes, bags for packing them and LED torchers had been purchased at an expenditure of Rs.499,952 after a period of one year.
- (b) Out of the provision made for the development proposals of Provincial Council Members under the Criteria Base Grants a sum of Rs.175,000 had been paid for 4 programs contrary to that objective.
- (c) A sum of Rs.797,360 credited to the Provincial Examination account during the period from 30 August 2011 to 30 September by the Central Province School Principals had not been utilized for

the intended purpose. Of this money retained in the general deposit account for more than 3 ½ years upto March and April 2015, a sum of Rs.791,110 had been spent to obtain goods in capital nature, contrary to the objective.

6.10 Identified Losses

The following observations are made.

- (a) After incurring an expenditure of Rs.10,746,752 for the modification of the interior Electricity System in the Central Province Department of Education under 3 stages and electrical fault in the modified electricity system was observed before expiring the warranty period. As a result, 38 units of valuable electrical items such as Photo Copy Machines, Laptop Computers, Fax Machines, Printing Machines etc. of that Department had become in operative and damaged. Action had not been taken to inquire into that and to recover the value of loss from the parties responsible.
- (b) As the Lease rent had not been recovered in terms of conditions of the lease agreement, a sum of Rs.5,053,630 had been under recovered from a land leased out to a Private Company in the year 2011 by the Divisional Secretariat Dambulla.
- (c) A sum of Rs.99,781 recoverable from 2 officers according to the inquiry report as per F.R 104(4) in respect of computer fraud occurred in the year 2012 in the Pelwehera Junior School belonging to the Galewela Education Zone had not been recovered even by December 2015.
- (d) Eventhough it was decided that a surcharge of Rs.614,170 recoverable from a Principal retired in May 2012 in respect of losses incurred in 3 schools in the Galewela Zone action had not been taken to recover same.
- (e) There were 242 items of expired drugs valued at Rs.2,777,125 in the Regional Medical Supplies Division, Nuwaraeliya.
- (f) Any action whatsoever had not been taken in respect of substandard stock of drugs valued at Rs.5,709,061 existed at the Nuwaraeliya Regional Medical Stores Division.
- (g) As the Regional Medical Supplies Division Nuwaraeliya had not paid the rates within the discount period, a loss of Rs.106,292 had occurred in the payment of assessment rates, as action had not been taken to deduct the relevant discount.
- (h) There were a large quantity of substandard stock of drugs in the stores of the Matale District Medical Supplies Division and Hospital Stores totalling Rs.10,408,086 brought forward from 2011 to 2014 valued at Rs.4,743,459 and Rs.5,664,627 respectively.
- (i) Twenty two varieties of drugs valued at Rs.77,270 in the Pussellawa, Pattiya Pallegama and Udagama Atabage Regional Hospitals had expired.

- (j) There was a shortage of 80 varieties of drugs valued at Rs.4,021,310 in the Regional Medical Supplies Division of Kandy.
- (k) Salaries and allowances totalling Rs.64,661 had been paid to 3 teachers even after they had vacated their posts during the period 2010 to 2012 in the schools belonging to the Walapane Education Zone and action had not been taken to recover that money up to now from the officers responsible.
- (l) According to the letter dated 16 July 2014 of the Chief Valuer the land called “Unique View” with the government quarter in Nuwaraeliya had been assessed at Rs.14,000,000 and Rs.23,000,000 in the years 2005 and 2014 respectively. Although the lease rental due from the year 2005 to 2014 amounted to Rs.5,600,000 only an economic rental of Rs.162,000 had been recovered. As a result of recovering this economic charge without any basis, the Central Provincial Department of Lands had sustained a loss of Rs.5,438,000.
- (m) Eventhough payments had been made for 783 square feet in respect of laying carpets to the Auditorium, of the Gurudeniya Education Development Centre, only 712 square feet of carpets had been layed and as such an overpayment of Rs.55,593 for 71 square feet had been made. In addition, an over payment of Rs.9,000 had been made as payments had been made contrary to the conditions of agreement in obtaining cleaning service. As a result, the total overpayment made was Rs.64,593.
- (n) After distributing 254 blood pressure meters valued at Rs.1,524,000 and received on 08 June 2016 to the Bio Medical Engineering Unit to 42 Hospitals, they could not be utilized as they indicated wrong measurements.
- (o) The Blood Gasanalaizer valued at Rs.1,200,000 sent to the Nawalapitiya District Hospital had become inoperative before the warranty period, that is after 3 months period.

6.11 Deficiencies in Contract Administration

 The following observations are made.

- (a) A sum of Rs.7,000,000 relating to the provision made for the Agro Road Development in the annual estimates for the year 2015 had been paid to the Provincial Road Development Authority on 31 December 2015 for the improvement of Palatuwawa Road and access road of the Galpalama Training Centre in Nuwaraeliya. However, the Provincial Ministry had not ensured whether this construction work had been done even by 26 April 2016.
- (b) Under the provision of Rs.17.85 million made for the development of Kotmale Doragala Village as a soil conservation model village by the Natural Resources Management Centre of the Department of Agriculture, a plan including strategies in respect of water supply systems, agro roads, rain water reservoirs, micro agro systems, fruit estates, flowers and mushroom plantations

and soil conservation etc. had been presented to the Provincial Department of Agriculture in August 2015. However, due to insufficient time period for the implementation of the entire plan, the Provincial Department of Agriculture had got a new plan approved including only the activities for the value of Rs.7.5 million, out of the total sum. As such the natural resources conservation activities valued at Rs.10.35 million which should have been obtained by the Province had been deprived of. Furthermore, 7 activities which should have been completed as at 31 December of the year under review, the estimated cost of which was Rs.2,263,059 had not been completed even by 09 March 2016.

- (c) Eventhough a sum of Rs.1,808,405 had been spent for the repair of the Mental Health Medical Unit at the Maldeniya District Hospital, it had been under utilized as a result of submerging the ward during the rainy season due to fault in the drainage system.
- (d) It was observed that the walls of the emergency treatment unit of the Maldeniya District Hospital constructed at a cost of Rs.2,057,560 during the year under review had separated from concrete columns and cracked and the staircase built to access to the upper floor was not upto the standard.

6.12 Weaknesses in the Implementation of Projects

The following observations are made.

- (a) The provision of Rs.348,500 received by the Divisional Secretariat, Rattota in respect of 7 projects under the Provincial Council Member's provision, a provision of Rs.89,000 received by the Divisional Secretariat, Wilgamuwa for 5 projects and a provision of Rs.293,000 received by the Divisional Secretariat, Dambulla for 12 projects had been saved.
- (b) Eventhough a sum totalling Rs.248,606, comprising a sum of Rs.125,678 for 5 projects by the Yatawatta Divisional Secretariat under the Provincial Council Member's provision in the year under review and a sum of Rs.122,928 for 2 electricity extensions by the Ukuwela Divisional Secretariat had been spent, the electricity and water connection had not been supplied even by February 2016.
- (c) A sum of Rs.10,139,232 had been spent in respect of the construction of a detaining camp for female children in the Weralawatta area in Udunuwara, it had been constructed outside the land recommended for constructions and it had been constructed without a soil test and near a paddy field with slope and muddy land. As a result, the building and the security wall had cracked and sunk and become an unsecured position. As deviated from the recommended plan, a sum of Rs.1,369,295 had included in that expenditure in addition to the expenditure incurred on security walls. This building had not been utilized as a detaining camp for more than 01 year.
- (d) Eleven sub agro projects, the estimated cost of which was Rs.16.64 million which had been included in the procurement plan to be implemented during the year under review by the Ministry of Agriculture, and 05 sub projects the estimated cost of which was Rs.2,050,000 planned to be

implemented under the fresh water fisheries program and the environmental program had not been implemented.

- (e) Thirty two agricultural projects, the estimated cost totalling Rs.19,070,000 which had not been included in the procurement plan for the year under review by the Ministry of Agriculture had been implemented during the year under review.

6.13 Personnel Administration

6.13.1 Approved and Actual Cadre

Approved and actual cadre position of the Provincial Council as at 31 December 2015 is as follows.

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

Category of Employees	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Cadre
Senior Level	2,062	1,513	578	29
Tertiary Level	770	915	183	263
Secondary Level	9,673	6,578	3,332	302
Primary Level	4,428	4,158	1,389	919
Contract basis	13	01	12	-
Others (Casual/ Temporary)	-	204	-	204
Total	17,146	13,369	5,494	1,717

(b) School Staff

Category of Staff	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Cadre
Principals/ Deputy Principals	1,491	1,570	-	79
Teachers	24,818	21,482	3,336	-
Minor employees and supporting staff	2,285	1,885	400	-
Total	28,594	24,937	3,736	79

(c) **Local Authorities**

Category of Staff	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Cadre
Senior Level	93	74	21	02
Tertiary Level	118	74	44	-
Secondary Level	2,025	1,511	550	36
Primary Level	3,879	4,415	421	957
Other (Casual, Temporary)	-	154	-	154
Total	6,115	6,228	1,036	1,149

(d) **Institutions Established by Statutes**

Category of Staff	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Cadre
Senior Level	02	03	01	01
Secondary Level	05	03	02	-
Primary Level	05	-	05	-
Casual Contract	09	06	03	-
Total	21	12	11	01

The following observations are made in respect of personnel Administration.

- (i) Eventhough 6 officers for 6 Provincial Council posts for the Laggala Divisional Secretariat as at 31 December 2015 had been approved those posts had follen vacant for the whole year.
- (ii) The Public Relations Officer post of a Provincial Council member had been given to a teacher who had been appointed as a primary assistant teacher and served in school belonging to the Walapane Zone. Despite there were 57 primary education teachers vacancies in this zone, this teacher had been released from teachers service for more than 11 years and teacher's salaries of Rs.2,943,421 had been paid to him for the period from 2005 to 31 December 2015.
- (iii) In terms of Circular No.2007/20 dated 13 December 2007 of the Secretary to the Ministry of Education issued in respect of National Teachers Transfer Policy, it was stated that the maximum service periods of a school with facilities and with more facilities were 8 and 6 respectively. However, 430 teachers in 3 Zones had been serving in a same school for periods ranging from 8

to 36 years, out of them 80 had been in service in the schools since the date of their first appointments up to now.

- (iv) In terms of Section vi of the Public Service Commission Circular No.04/03 of 02 December 2003, appointments for acting or covering the duties of vacant posts should be done by the Provincial Authority with an interview. Nevertheless, it was observed that the Provincial Secretary to the Education had appointed teachers in Sri Lanka Teachers Service to act the posts of Principals Service which were fallen vacant for periods ranging from 02 to 25 years in 94 schools belonging to 4 Education Zones.
- (v) In terms of Circular No.2000/02 dated 30 June 2000 of the Education Service Committee of the Public Service Commission an appointment to act or covering of duties in the posts of Deputy and Assistant Directors of Education should be made only with the approval of the Education Service Committee of the Public Service Commission. Contrary to that provision, the Provincial Secretary to Education had appointed 21 teachers in the Sri Lanka Teachers Service and the Sri Lanka Principals Service in the Nuwaraeliya and Hatton Education Zones to those posts.
- (vi) There had been an excess cadre of 18 officers in 6 posts within the staff of the Chief Minister. In addition to salaries and allowances incurred from the provisions made in the annual estimates for them, a sum of Rs.2,315,315 had also been paid to them from the service places to which they had been attached.
- (vii) Although the approved number of Development Officers posts in the Kotmale Zonal Education Office was 18, twenty six officers had been in service and action had not been taken to deploy them having being identified vacant places. Although the approved number of Development Officers posts for the Nuwaraeliya Zonal Education Office was 9, twenty four officers had been attached and a sum of Rs.6,588,642 had been paid as salaries to 21 Development Officers from 01 January 2015 to 30 September 2015 which had not been included in the approved cadre of the Hatton Zonal Education Office.
- (viii) Sixty three vacancies in the 4 posts such as the Additional Zonal Director of Education, Zonal Director of Education, Assistant Director of Education and School Inspectors in the Galewela Zonal Education Office which were directly affected for education had existed. Duties of such posts had been covered from officers who had no qualifications.
- (ix) As the teachers balance had not been done properly within the Galewela Education Zone, 173 teachers vacancies for 10 subjects and 111 excesses for 7 subjects had existed.
- (x) As the annual teachers transfer policy had not been implemented within the Galewela Education Zone, there were teachers who had been serving in the same schools for a long period, a shortages of teachers in schools of difficult areas and excess teachers in the popular schools.
- (xi) Eventhough the probation periods of 93 teachers who had obtained appointments during the period from 1997 to 2010 in the schools belonging to the 3 Zonal Education Offices had been

completed their appointments had not been confirmed due to various reasons. Steps had not been taken either to extend the probation period or to terminate the probation appointment in terms of Section 11.2.3 of Chapter ii of the Establishments.

- (xii) Labourers and minor employees in several Local Authorities had not been employed for their normal duties and had been employed on duties of Management Assistants and allied posts in the office premises.

6.14 Motor Vehicles Administration

The following observations are made.

- (a) The loss occurred as at 31 December 2015 due to 6 vehicle accidents under the Chief Ministry during the 3 years from 2013 to 2015 amounted to Rs.5,918,796 and an insurance indemnity of Rs.1,410,736 had been received. The future action in respect of losses valued at Rs.4,508,060 which had not been covered by the insurance had not been taken.
- (b) In the repair of a motor vehicle after the accident belonging to the Ministry of Road Development Transport, Power and Energy and Housing and Construction met with an accident on 08 July 2015, a sum of Rs.139,622 had been paid, contrary to the decision No.38 of the Cabinet of Ministers dated 15 July 2015. Eventhough it was stated that 14 new spare parts valued at Rs.506,183 had been used for the vehicle there was no written evidence to ensure that the used spare parts had been returned.

6.15 Bank Accounts

Action in terms of Financial Regulation 396 (d) had not been taken in respect of cheques totalling Rs.35,643,209, lapsed for more than 6 months without being presented to the bank for payments relating to the bank current accounts of 12 institutions as at 31 December 2015.

6.16 Supervision of the Affairs of Local Authorities

The following observations are made.

- (a) According to the Section 4.2 of the 9th schedule of the 13th amendments to the Democratic Socialist Republic of Sri Lanka the supervision of the local authorities is vested in the Provincial Councils. However, a formal methodology had not been implemented for the supervision of Local Authorities. Although the issues observed during the cause of audit of Local Authorities had been brought to the attention of the Heads of Local Authorities follow up action in that connection had not been done.
- (b) According to the information made available as at 31 December 2015, out of the 43 local authorities in the Central Province the arrears of revenue in the 42 Local Authorities amounted to Rs.1,074,439,141.

- (c) The Auditor General had issued 21 surcharge certificates in respect of losses amounting to Rs.11,939,158 incurred on account of payments made contrary to law and losses incurred due to negligence or misconduct relating to 7 Local Authorities in Kandy, Matale and Nuwaraeliya districts during the period from the year 2011 to 2015. Particulars are given below.

District	No.of Surcharge Certificate	Value
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		Rs.
Kandy	01	136,466
Matale	11	11,102,692
Nuwaraeliya	09	700,000
	-----	-----
Total	21	11,939,158
	====	=====

- (d) The following matters were observed in respect of Municipal Council of Nuwaraeliya.
- (i) Action in respect of cash shortage of Rs.423,631 revealed in the preparation of bank reconciliation statement for the month December 2015 had not been taken.
- (ii) Advances totalling Rs.2,226,476 given in 19 instances during the year under review had not been settled even by 20 January 2016.
- (iii) Further action had not been taken in respect of 38 cheques elapsed for over 6 months valued at Rs.139,571 issued during the period from June 2013 to February 2015 but presented to the bank, according to the Bank Reconciliation Statement last prepared.
- (iv) Contrary to Section 40(1)(f) of the Municipal Council Ordinance, lands had been leased out in 30 instances during the period from 1985 to 1995 by the Municipal Council without the approval of the Minister in charge of the subject and H.E. the President.
- (v) Contrary to Section 237 (1) of the Municipal Council Ordinance after the assessment of properties in the year 2000 new assessment had not been carried out at the time of physical changes made to the properties, effecting the annual value.
- (vi) Despite there were excess employees of 338 in 4 Divisions of the Council, a sum of Rs.8,298,955 had been paid as overtime allowances during the year under review.

7. Accountability and Good Governance

7.1 Internal Audit

The internal audit program of the Provincial Council had not been presented to government audit.

7.2 Audit and Management Committees

Functions of the Audit and Management Committees in certain Ministries and Departments had been at a weak level.

7.3 Procurement Plan

- (a) Eventhough the Central Province Department of Education had prepared a procurement plan with an estimated amount of Rs.129.38 million for the purchase of capital goods required for the Provincial Schools and Offices for the year under review goods to the value of Rs.96.38 mition thereof had not been purchased.
- (b) Although the total estimated capital expenditure under the Chief Ministry amounted to Rs.844,420,000, the procurement plan had been prepared only for the value of Rs.52,500,000.
- (c) Although the approval of the Ministry Procurement Committee should be obtained for the supplies and services more than the value of Rs.10 million the Provincial Director of Health Services had purchased surgical medical equipment valued at Rs.41,113,800 with the approval of the Department Procurement Committee in 3 instances being entered into agreement.

7.4 Tabling of the Auditor General's Reports

According to the provisions of Section 23(2) of the Provincial Council Act No.42 of 1987 the position of tabling the Reports of the Auditor General on the financial statements of the Central Provincial Council for the previous years in the Provincial Council is given below.

Year	Date of Issue of the Report	Date of Tabling the Report
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2010	30.12.2011	23.04.2013
2011	28.03.2013	08.09.2015
2012	04.07.2014	16.02.2016
2013	07.01.2015	05.05.2015
2014	08.10.2015	03.11.2015

7.5 Fulfilment of Environmental and Social Responsibility

According to a program prepared for the distribution of compost pots to Local Authorities under the “Haritha City Program” a contribution of Rs.297,000 had been obtained from 2 Local Authorities in November 2014. Action had not been taken to supply the relevant 250 compost pots, though that money had been retained in a deposit account for more than a year.

8. Systems and Control

Special attention is needed in respect of the following areas of Systems and Control.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Management
- (d) Provincial Council Development Plan
- (e) Supervision of Local Authorities
- (f) Personal Administration