

Sabaragamuwa Provincial Council - 2015

The audit of financial Statements of the Sabaragamuwa 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 the Section 23 (2) of the Provincial Councils Act. A detailed report in respect of audit observations included therein will be issued in due course for tabling in the Provincial Council.

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 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 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's 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 the financial statements.

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sabaragamuwa 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 30 March 2016.

2.2.2 Other Accounts

The progress of presentation of other accounts of the Provincial Council relating to the year under review as at 15 June 2016 is given below.

Type of account	Total number of accounts	Number of accounts presented	Number of accounts not presented
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(i) Appropriation Accounts	27	27	-
(ii) Revenue Accounts	01	01	-
(iii) Advances to Provincial Public Officers Accounts	24	23	01
(iv) Commercial Advance Accounts	07	06	01
(v) Fund Accounts	02	02	-
(vi) Statutory Accounts	04	03	01
(vii) Members Advance Accounts	02	02	-
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Total	<u>67</u>	<u>64</u>	<u>03</u>

2.2.3 Accounting Deficiencies

The Following observations are made.

- (a) Eventhough the balance of the Chief Ministry's deposit account was shown as Rs.32,399,078 in the statement of financial position as at 31 December 2015, the balance of the deposit account as per the appropriation account of the relevant Ministry amounted to Rs.27,014,035 thus observing a difference of Rs.5,385,043.
- (b) The total credit balances, exceeding the approved Limit brought forward by changing annually 4 Commercial Advance Accounts shown in the statement of financial position as at 31 December 2015 amounted to Rs.14,387,855.

2.2.4 Account Receivable and Payable

The value of accounts receivable balances remained for more than 01 year amounted to Rs.6,528,191 and value of accounts payable balances amounted to Rs.658,586.

2.2.5 Unreplied audit Queries

Replies to 68 audit queries had not been presented and the computable value of transactions subjected to those queries amounted to Rs.3,260,895,428.

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

The following non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Sections 226 (5) (6) of Munciple Councils Ordinance (Cap) 252, Section 183 (5) of Urban Councils Ordinance (Cap) 255 and Section 172 (8), (9) of Pradeshiya Sabha Act No.15 of 1987.	Within 14 days since the notice of the decision of the Auditor General, the person who was surcharged should pay the relevant amount to the Commissioner of Local Government. If the money had not been so paid, the Commissioner of Local Government shall take action to recover the money by requesting to the District Court in the Judicial Jurisdiction where the relevant person is resided unless he had paid the money or made an appeal. As action had not been taken accordingly a sum of Rs.2,204,716 was receivable by the end of the year under review from 21 out of the

surcharge notices issued by the Auditor General at various occasions in respect of 13 local authorities in the Sabaragamuwa Province.

- (b) Sub-section 172 (7) of the Pradeshiya Sabha Act No.15 of 1987 in respect of the issue of surcharge certificates, by the Auditor General as per section 172 (3) of this Act
- It was further established according to the clarification of the Attorney General on 07 September 2015 that the appeal should be made to the Secretary to the Ministry of Local Government and Provincial Councils of the Central Government. However, action had been taken to submit the appeals to the Minister in charge of the subject in the Provincial Council in respect of 13 surcharge certificates valued at Rs.123,857 and to write off.

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

- (i) Section 13.3 of Chapter 11 of the Volume I
- Even though 10 years had elapsed the acting appointments of the Assistant Secretary and the Administrative Officer in the office of the Provincial Public Service Commission had been made, action had not been taken to fill the vacancies or to allocation of duties among the officers. It was observed that those appointments had been implemented on acting salary basis furthermore.
- (ii) Section 12.2.4 of Chapter VII of the Volume I
- As the permanent Administrative Officer in the Office of the Provincial Public Service Commission had been appointed to act in the Post of Assistant Secretary, an officer had been appointed to that post on acting salary basis, considered as that post had become vacant and an acting salary of Rs.118,018 had been paid for the period from 01 September 2005 to 31 December 2015.

(d) Financial Rules of the Sabaragamuwa Provincial Council of the Democratic Socialist Republic of Sri Lanka.

(i) Rule 117.4

In remitting cash collected on behalf of the Provincial Council, the entire amount collected at that time should be remitted. Nevertheless, the Divisional Secretariats within the Ratnapura District had taken action contrary to that and as such, balances totalling Rs.101,497,068 had remained in the bank accounts of each Divisional Secretariat by the end of the year 2015. The money which could be utilized for the development of the province had retained idle in bank current accounts without earning any interest, upto the end of the year.

(ii) Rule 259.2

Two hundred and sixty two imprest balances totalling Rs.62,012,807 from the year 2005 to the year 2014 had not been settled by the Health Department as at 31 December 2015.

(e) Financial Regulations of the Democratic Republic of Sri Lanka

(i) Financial Regulation 571

There were 9 general deposit accounts totalling Rs.874,865 in the Zonal Education Office Ratnapura for more than 2 years. The following observations are made in that connection.

(a) It was observed that inquiries to be carried out in respect of 07 General Deposit Account Balances totalling Rs.349,282 arisen as a result of audit queries and other examinations had delayed for more than 2 years.

(b) Pensions gratuity of a retired officer amounting to Rs.512,083 had been retained in the General Deposit Account since 12 June 2013 due to non receipt of the personal file.

- (c) Bursaries amounting to Rs.13,500, returned without being paid to the students had been retained in the General Deposit Account for more than 2 years.
- (ii) Financial Regulation 571 (3) Action in terms of regulations had not been taken in respect of deposits valued at Rs.1,287,393 in the Department of Health.
- (f) Guideline 8.12.1 of Procurement Guidelines One thousand and fifty tents had been purchased from the Training and Capacity Building object of the Chief Secretariat by spending a sum of Rs.33,752,880. Without testing the quality of tents they had been taken over and distributed among the death donations and welfare societies. The following observations are made in this regard.
- (i) Eventhough the reason for rejecting the lowest bidder had been an additional seal had not been fixed to prevent water leaking from the tent for which the second lowest price had been quoted, additional seals had not been fixed to the tents which were purchased as well. As a result of disregarding the minimum price a loss of Rs.2,856,000 had incurred.
- (ii) As the value of a tent had been assessed by a third party with competency on the subject as Rs.19,330, it was observed that the overpayment made was Rs.11,223,765 for all tents.

(g) Provincial Councils and Local Government Circular No. ௨௫௪/01/2001 dated 28 March 2001 issued in concurrent with the Presidential Secretariat and the Treasury.

(i) Paragraph 3.1

It was stated that the maximum loan limit to be granted to a Provincial Council members amounted to Rs.250,000 with the objective of adopting a uniform system in granting loans to Provincial Council members by preventing various loan schemes implemented by each Provincial Council to grant loans to their Provincial Council members. Nevertheless, that limit had been increased to Rs.672,000 on a decision of the Board of Ministers of the Sabaragamuwa Provincial Council met on 07 November 2012 and 23 April 2014 without making aware of the Ministry of Provincial Councils and Local Government or without getting instructions or its comments.

(ii) Sub Paragraph 3.2.7 and 3.2.1 to 3.2.4

There should be an invoice from the institution relating to the purchase of office equipment, and only the price stated in the invoice or credit limit whichever is lower should be paid as the loan. Contrary to that, loans totalling Rs.300,262 had been granted in 3 instances by the Council Secretariat.

(iii) Letter No.PSA/P1/40 dated 28 February 2007 of the President's Secretary.

(a) It is stated that to conduct seminars, meetings workshops etc., the Ministries, Departments and Government Institutions should not select hotels and in local tours the hotel charges in respect of food and lodging should not be settled from the Public Funds. Contrary to that, a sum of Rs.1,113,693 had been paid to private hotels for 3 conferences held in the year 2015 by the Department of Provincial Sports Development.

- (b) The Council Secretariat had paid a sum of Rs.7,766,795 to private hotels in 4 instances during the period from 2013 to 2015. An additional expenses of Rs.1,352,400 comprising fuel expenses of Rs.1,288,142 and a sum of Rs.64,258 as daily allowances travelling and for rented vehicles had been incurred in view of conducting workshops outside the area. As the number of participants had not been correctly established, a sum of Rs.2,675,487 had been spent for excess room rents.
- (h) National Budget Circular No.4/2015 of 02 October 2015 of the Secretary to the Treasury. It was informed that the Cabinet of Ministers had decided that the printing of diaries and calendars by government companies, statutory boards and all government institutes to be distributed among the public, employees and other parties who provided services had been stopped since 2016. However, non-compliance with that, the Council Secretariat of the Sabaragamuwa Provincial Council had taken action to print 2023 management diaries by spending Rs.1,127,636 and 4198 small diaries by spending Rs.658,139, totalling Rs.1,785,775 on behalf of the Provincial Council.
- (i) Circular No.01/2012 dated 05 January 2012 of the Ministry of Finance and Planning Circular No.7/2013 dated 28 November 2013 of the Ministry of Education and the Guideline 11.3 of Guideline Hand Book. (i) Eventhough it was stated that the construction works taken by the School Development Society should not be sub-contracted, the works of laboratory repairs and the construction of upper bund of the sports ground signed with the R/Balangoda Damahana Maha Vidyalaya School Development Society valued at Rs.913,400 had been sub-contracted.

- (ii) A sum of Rs.1,769,174 had been spent by the Provincial Ministry of Education for the beautifying the premises of Atulugama Education Development Training Centre. This work had been entrusted to the School Development Society of කැ/දෙහි/Atulugama Mayadunna Vidyalaya. It was observed in audit that this contract had also been sub contracted without an agreement.
- (j) Pensions Circular No.4/2010 dated 25 May 2010 of the Director General of Pensions. Eventhough contributions recovered from employees of the current month and the Government contribution should be remitted to the Public Service Provident Fund before 10th of the following month, a sum of Rs.302,031 in the 07 institutions had been retained in the Deposit Account.
- (k) Section 18 of the Circular No.2013/23 dated 22 May 2013 of the Secretary to the Ministry of Education in respect of the admission of children to grade I The principal of the R/ Halmillaketiya Vidyalaya had collected a sum of Rs.358,000 at Rs.4,200 each student who had been admitted to Grade 1 of the year 2015 through a parent's representative.

3. Revenue Management

Trend of the Revenue for the Past 05 Years

Tax revenue and non-tax revenue collected by the Provincial Council from 2011 to 2015 are given below.

Year	Tax Revenue	Non-Tax Revenue
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	Rs.	Rs.
2011	1,943,637,444	416,079,145
2012	2,007,749,583	496,404,402
2013	2,163,127,945	496,200,284
2014	2,394,497,364	676,362,034
2015	2,832,257,548	725,367,341

The following observations are made.

- (a) In the preparation of estimates for the year under review the actual revenue of the previous year had not been considered and as such the revenue Rs.886,381,939 of 9 Heads had been under estimated.
- (b) In terms of Provincial Financial Rule 41.1.4, action should be taken to prepare real and correct estimates as much as possible. In the estimation of interest income on loans and advances, the interest on probable actual debit balance could have been computed and estimated by considering loans and advances given and to be given to officers according to their grades. However, it was observed in audit that the estimates had been prepared without any basis.
- (c) Long term lease rent and fines totalling Rs.23,530,654 receivable from lands given on lease basis to various institutions by 9 Divisional Secretariat's in the Sabaragamuwa Province and annual taxes and fines amounting to Rs.43,442 in the Divisional Secretariat, Aranayaka had been outstanding as at 31 December 2015. Action had not been taken thereon in terms of Section 7 of the Circular No.96/05 dated 01 August 1996 of the Land Commissioner. In addition, water tax and fines amounting to Rs.563,019 had to be recovered in the Divisional Secretariat Kuruwita.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, there had been a surplus of Rs.238,561,212 in the Provincial Council Fund for the year ended 31 December 2015 as compared with the surplus of Rs.1,415,104,004 in the preceding year.

4.2 Legal Cases Initiated against or by the Provincial Council

One hundred and twenty nine (129) legal cases filed by external parties against the 13 Ministries/ Departments of the Provincial Councils and 7 cases filed against the external parties by the 06 Ministries/ Departments had been pending by December 2015.

4.3 Abnormal Increase in Expenditure

In comprising the actual expenditure of the year under review with the actual expenditure of the year 2014, the actual recurrent expenditure relating to a expenditure object of the year under review had abnormally increased by 64 per cent than the expenditure of the year 2014.

5. Authority Accounts/ Fund Accounts

(a) Road Passenger Transport Authority

The following observations are made.

- (i) In terms of Sub- section 5.8 of Chapter vi of the Establishments Code, the date of increment should be the date of new appointment in granting salary increments after a promotion and one year should be spent for giving a salary increment. Contrary to that, salary increments had been granted after 6 months, irrespective of the new date of appointment.
- (ii) Action to be taken to establish a driver training school, recruitment of a principal and to purchase of a bus within the 6 months of the year 2015 had been introduced as main development targets in the year 2014. Those targets had not been achieved during the year 2015 and action had also not been taken to introduce the new Service Statute of the Sabaragamuwa Passenger Transport Authority.
- (iii) Five buses owned by a former Chairman of the Sabaragamuwa Road Passenger Transport Authority had been operated without obtaining the Passenger Transport Licenses and monthly log sheets. A sum of Rs.1,001,600 in that regard for the period from 2010 to 31 December 2015 had not been recovered.
- (iv) A sum of Rs.168,000 recoverable from 19 buses which had been run without obtaining monthly log sheets for a period from 2 months to 14 months and a sum of Rs.24,000 as monthly log sheets charges from 12 running buses had to be recovered.
- (v) Eventhough a sum of Rs.180,000 for a year at Rs.15,000 had been paid to a Member of the Board of Directors for 4 days per months as fuel and combined allowances for field inspection, supervised places and any supervision report had not been presented.
- (vi) In terms of Public Service Provident Fund Circular No.11/2003 dated 02 December 2003, provident fund for an employee served on contract basis had not been recovered and as such a surcharge of Rs.74,768 and a sum of Rs.63,850 to be recovered from the employee had been paid out of the Authority's Fund.

(b) Industrial Development Authority

Any Activities stated in Section 14 of the Industrial Development Authority Statute No.04 of 1990 of the Sabaragamuwa Provincial Council had not been fulfilled by the Authority during the period of 25 years from the commencement of the Authority up to the year 2016. However, more than Rs.600,000 had been paid annually as Administrative Allowances and Directors Allowances to the staff, including the Chairman.

6. Operating Review

6.1 Operations Contrary to the Main Activities

A provision of Rs.5,000,000 had been made in the annual estimates for the year 2015 in the Governors Secretariat under expenditure item 800-03-02-2401 for Training and Capacity Development. Contrary to the objective of making provision, books had been purchased by spending a sum of Rs.1,935,000 from that provision and distributed those books among the Daham Schools Libraries, Urban Councils and Institutions and various individuals within the province and a saying of 61 per cent was observed from the total provision by the end of the year.

6.2 Management Inefficiencies

The following observations are made.

- (a) Quotations for the purchase of 31 items of sport goods for the year 2015 had been called for by the Provincial Department of Sports Development. According to the Technical Evaluation Committee Report in this regard, the minimum price had been rejected without adducing any reason and 13 types of sport goods had been purchased and as such a sum of Rs.1,031,375 had been overpaid.
- (b) Twelve types of sports goods totalling Rs.1,146,220 purchased by the Provincial Sports Development Department in the year 2015 and 12 types of sports goods purchased in the year 2014 had been stored even by 08 June 2016 without being used.
- (c) Instructions had been given by the Secretary to the Finance Commission by his letter No.FCBP/4/2/2015 dated 27 March 2015 addressed to the Chief Secretary of the Sabaragamuwa Provincial Council stating that any activity less than Rs.25 million in the Development Plan of 2015 should not be separated in stages. Non-compliance with those instructions, authority had been granted for 75 projects valued at Rs.107,838,347 by the Ministry of Sabaragamuwa Provincial Road Development, Rural Infrastructure Facilities, Tourism and Sports and Youth Affairs. It was observed in audit that those projects could have been implemented without being divided into stages by preparing estimates as 34 projects. As competitive bids had not been called for the total estimated value and implemented the objectives of giving fair equal and maximum opportunities to

participate qualified interested parties in the procurement process and to ascertain maximum economic benefits with high quality and minimum cost had not been achieved in terms of Procurement Guideline 1.2 (a) and (b) of 2006.

- (d) One hundred and sixty five (165) anicut planks purchased by the Ministry of Lands and Agriculture on 23 December 2015 by paying a sum of Rs.502,775 had remained idle for 5 months up to 08 June 2016 in the Wagolla District Agriculture Training Centre Premises. It was observed at physical verification that lengths of these planks had not been compatible with the ordered specifications.
- (e) The Project for the building up the Polgahaliyadda outer dam and the watering dam to the paddy field and the second stage of that projects had been implemented at a contractual value of Rs.886,603. It was observed that this project did not achieve the objectives stated in the feasibility report. Eventhough the two projects had constructed 2 parts of one side bund, the width of a bund had been unnecessarily augmented and as such the first project had been overestimated. As a result a sum of Rs.92,578 had been over incurred.

6.3 Operating Inefficiencies

The following observations are made.

- (a) The housing project with the initiative themes of “To home again” and “Prevention of being housed” implemented with the objectives of handing over the children housed without a suitable shelter to live in, with their family units again and the detention of children expected to be housed on the same issue within their family units had been in operation for a period of 8 years by now and benefits had been given to 15 beneficiaries by spending a sum of Rs.1,867,840. A project report including the information regarding the implementation of the project in this regard or an approved programme had not been prepared. As weaknesses existed in the planning stage, deficiencies in the allocation of funds between family units were observed and the houses constructed had no specific standard. The successfulness of the project had been determined entirely on the Probation Officers dedication and the efficiency and the supervision at the Department Level and the Ministry Level had been at a very weak level.
 - (i) An initial estimate for a sum of Rs.150,000 and a subsequently additional estimate of Rs.75,000 had been presented by the Probation Officer in charge of the Probation Office, Pelmadulla to construct a house to a family unit of a child in that area in order to prevent being housed. Accordingly advances totalling Rs.225,000 had been obtained at Rs.75,000 each in the months of June, August and September 2015. It was reported that the house had been constructed and handed over by submitting bills for Rs.224,800 for a settlement of advances by 31 December 2015 with the photographs of the house. However, it was further observed at site inspection on 29 February 2016 that such a house had not been constructed and the bills at Rs.149,800 submitted had been spurious bills.

- (ii) Eventhough it was planned and expenditure had been incurred for a construction of a complete room, 21 x 16 feet in extent by spending a sum of Rs.75,000 by the Probation Office, Ratnapura to prevent a child being housed in that area, it was revealed at site inspection carried out on 01 March 2016 that a room as planned had not been newly constructed.

- (b) A permanent security fence for the Kithulgala District Hospital Land of 5.432 hectars in extent had not been built. Eventhough unauthorized permanent building had been constructed and encroached within the area of 0.470 hectars action had not been taken to settle it.

- (c) Goods supplied should be in compliance with specifications and other agreed requirements in terms of Procurement Guideline 8.12.3 of 2006 and the relevant recommendations should be given by a person who is having a technical knowledge in that connection. Nevertheless, it had not been so done in respect of purchase of 5 computers valued at Rs.361,200 in the office of the Commissioner of Local Government.

6.4 Transactions of Contentious Nature

The following observations are made.

- (a)
 - (i) Out of the provisions made for the Training and Capacity Development under the Regional Development Plan for the year 2014 in the Chief Secretariat, a sum of Rs.6,321,700 had been spent on 31 December 2014 on 4 Laptop Computers, 13 Tab Computers and 27 Mobile Telephones to 44 Councillers of the Provincial Council. It was observed that the provision made had been spent for objectives not intended and the equipment purchased had been issued to the relevant members without any conditions.

 - (ii) According to the provisions of the Procurement Guidelines the trade names of Goods should not be stated in the specifications. Nevertheless, in purchasing 13 Tab Computers and 27 Mobile Phones action had been taken contrary to those provisions.

- (b) Under the Provincial Council Criteria Based Funds 54,719 exercise books valued at Rs.1,176,457 had been purchased in December 2014 by the respective Divisional Secretariats for the distribution among the Children of Low income families in the Elapatha Kahawatta and Kalawana Divisional Secretariats Division. In printing of these exercise books, the outer cover had been printed by indicating the photographs of the

Political Authority, contrary to the orders of the relevant Divisional Secretariats. Hence, the District Secretary had rejected to distribute those books through the Divisional Secretariat and handed over to the Secretary of the Provincial Council in April 2015. It was revealed in audit that all these books had been stored in the stores of the Provincial Council even by 15 June 2016.

- (c) In selecting sportsmen and sportswomen in all youth societies in the Ratnapura District, it was planned to give them Cricket and Volleyball sets. Accordingly, 575 sets of sports goods by spending a sum of Rs.1,724,530 had been purchased on 31 December 2014. However, the officers of the Technical Evaluation Committee had not examined to ensure that the sports goods purchased were in compliance with the specific standard. Instead of taking action by the Chief Ministry to Plan and Distribute such sports goods among the sports societies out of the sports goods taken over goods valued at Rs.1,466,880 had been handed over to a Provincial Council Member. Those sports goods had been stored in the house of the relevant Council Member and any goods whatsoever had not been distributed even by 01 March 2016. Audit Examination revealed that 07 Volley Balls valued at Rs.22,750 in the Chief Ministry's store and 06 Volley Ball Nets valued at Rs.14,940 stored in the relevant Council Member's house had been short.
- (d) A sum totalling Rs.1,305,501 had been paid from the Provincial Council Fund as air ticket fees, incidental allowances and combined allowances in respect of tour in United Kingdom made by the Minister of Social Welfare, Probation and Child Care, Rural Development and Rural Industries from 07 to 17 November 2015 which had been a private invitation received from a private organisation in London.
- (e) It was decided by the Provincial Ministry of Education, Information Technology and Cultural Affairs to prepare an action plan for the year 2015 and to train officers and to conduct a workshop for the procurement and Technical Evaluation Committee member with the participation of cultural officers belonging to the Provincial Council and the Central Government. Accordingly, a residential training workshop had been conducted on 21 and 22 December 2014 at a holiday resort in Nuwaraeliya and a sum of Rs.176,411 had been spent thereon. The principal object of the Cultural Officer's workshop was to prepare an action plan, such a plan had not been prepared even by the end of the year 2015.
- (f) A sum of totalling Rs.1,016,157 had been paid as air ticket fees incidental allowances, combined allowances and visa fees to the Ministry of Education, Information Technology and Cultural Affairs, Secretary to the Ministry and the Sabaragamuwa Provincial Director of Education for the participation of the International Students Quality Circle Seminar conducted in India from 01 to 06 December, 2015. Despite it was stated in the invitation letter that food and lodging facilities would be provided by the Agency on this foreign tour, a sum of Rs.539,997 had been obtained by the Provincial Minister of Education and his Private Secretary contrary to the provisions in Circular No. 01/2015/01 dated 15 May 2015 of the Ministry of Finance.

- (g) Out of the recurrent provisions made for the Provincial Council Secretariat, 70 mobile phones, 105 digital cameras, 40 wireless telephones, 68 players and 45 fax machines had been purchased by incurring an expenditure of Rs.4,241,646 and distributed as gifts of the Chairman among the Ministers and members of the Provincial Council, Staff of the Provincial Council Secretariat, Staff Officers of the Chief Ministers' Office and Journalist during the years 2013, 2014 and 2015.

6.5 Apparent Fraudulent Transactions

The following observations are made.

- (a) Under the Transformation of School Education System as a Knowledge Centre Base Project, 151 Computers had been purchased and distributed by incurring an expenditure of Rs.14,329,900 from the World Bank Provision by the Provincial Ministry of Education. At a physical verification of 50 Computers of them it was observed that two external speakers and mouse pads which should have been supplied as per specifications had not been supplied for any computer. In addition, it was observed in audit that the HDMI accessories in several computers were not available and there were weaknesses in the operation system. However, the opportunity to pay money had been provided for goods not in conformity with specifications stating that computer had been checked and they were in agreement with specifications and the officers of the Technical Evaluation Committee had given a spurious confirmation register.
- (b) A cheque valued at Rs.220,434 of the School Development Society account at R/Halmilla Ketiya Maha Vidyalaya had been deposited in the Principal's Private Bank Account on 16 December 2015.

6.6 Under- utilisation of Funds

Out of the imprests obtained from the Provincial Council by the Divisional Secretariat, Kegalle a sum of Rs.9,996,097 had been settled back to the Chief Secretary on 31 December 2015 without being utilised during the year under review.

6.7 Idle and Under- utilised Assets

Audit test checks observed that the physical resources in various institutions belonging to the Provincial Council had been idle and under utilised. Particulars are given below.

Nature of Asset -----	Number -----	Value ----- Rs.	Period of Idle -----
(a) Land	12	Not Stated	10 Years
(b) Buildings	12	Not Stated	10 Years
(c) Motor Vehicle	01	Not Stated	03 Years
(d) Machinery	02	209,886	15 Years
(e) Others	31	1,599,670	1-2 years

The following observations are made.

- (a) The work of Tourist Centre at Belihuloya completed on 15 February 2015 incurring a cost of Rs.7,990,260 with the objective of providing food facilities information facilities and sanitary facilities for the tourist travelled through Belihuloya had not been opened for public use for more than one year.
- (b) Action had not been taken to hand over the assets of the 11 schools out of 35 schools closed down since several years in the Mawanella Education Zone to the Divisional Secretariats.
- (c) The Mahindodaya Technological Laboratory constructed in the R/Bala/Udagama Maha Vidyalaya incurring an expenditure of Rs.8,389,605 on the provision of Sabaragamuwa Provincial Ministry of Education, Information Technology and Cultural Affairs had been franchised to the students on 06 April 2015. However, as the 3 phase electricity had not been supplied all 41 computers of the Laboratory could not be operated and as such they had been under utilised. Twenty computers purchased to the Language Laboratory by spending a sum of Rs.2,050,000 and 20 UPS had been in the containers itself without being utilised and their warranty period had also been expired.
- (d) Twenty Laptop Computers given on 30 December 2013 by the Information and Communication Technology Institute for the net working of the Outpatients Division and the Clinical activities in the Karawanella Hospital had not been utilised even by 30 December 2015 and the warranty period of computers had also been expired.
- (e) Eventhough equipment valued about Rs.4 million had been supplied in June 2012 and an area of 900 square feet in the Karawanella Hospital Premises had been allocated for a Incentive Care Unit, it could not be opened up to 30 December 2015 as required staff had not been recruited.
- (f) Although a sum of Rs.974,000 had been incurred for the purchase of 17 GPS equipment and maps in the years 2012 and 2014 with the objective of directing the field program implemented by the office of the Medical Officer of Health

under the Provincial Specific Development Grants, this equipment had been idle even up to July 2015, as the project had not been commenced.

6.8 Identified Losses

The following observations are made.

- (a) Even after seven teachers served in 6 schools in difficult areas in the Mawanella Education Zone had been transferred and attached to others schools, a sum of Rs.73,417 had been paid as difficult area allowances.
- (b) A female Teacher served in a school in the Kegalle Education Zone since 03 January 2011 had obtained no-pay leave of 29 days, 154 ½ days and 82 days in the years 2012, 2013 and 2014 respectively but without being recovered salaries for no-pay leave she had been transferred to Western Province since March 2015.
- (c) According to measurements obtained at the Physical Verification and the measurements presented along with the bills relating to 4 projects implemented during the year 2015 by the Sabaragamuwa Provincial Ministry of Road Development there were differences and as such an overpayment of Rs.61,294 had been made to relevant contractual societies. As the construction works of 4 projects implemented during the year 2015 had not been completed within the specific dates, the relevant projects had delayed for periods from 3 weeks to 54 weeks and transaction settlement loss totalling Rs.239,590 had to be recovered.
- (d) In the work site inspection carried out on 08 December 2015 and 29 January 2016 in the Atulugama Education Development Training Centre with the Technical Officer and the Agricultural Officer in charge of the subject in the District respectively, it was observed that certain parts of work stated in the estimate had not been done. Without obtaining a recommendation of the Provincial Director of Agriculture or an officer with expertise skills in landscaping before payments were made to the contractor, a sum totalling Rs.1,769,174 had been paid on the work completion report. It was observed in audit that a sum of Rs.323,002 had been paid as the total contract value was paid when there were shortcomings.

6.9 Weaknesses in Contract Administration

The following observations are made.

- (a) Eventhough a provision of Rs.1,303,511,189 had been made to implement 1106 projects during the year 2015 by the Ministry of Provincial Road Development, 261 projects out of them valued at Rs.237,829,143 had not been implemented.

- (b) An agreement had been entered into with a Private Company by the Chief Secretary on 05 December 2011 for the Development of Palledbedda – Bulutota Road in the Ratnapura District under the Provincial Road Development Project from the funds granted by the Japan International Corporation Agency. According to that agreement the work completion date was 04 April 2013. As it was failed to complete the work within the specific date, the contract period had been extended to 558 days in 4 instances. Contrary to the matters stated in the conditions of the contract agreement to be considered for the extension of period extension of 323 days had been granted without any specific or reasonable causes. Due to incurring additional overhead charges in respect of this period price variances and deprivation of liquidated damages, the overall loss sustained by the government amounted to Rs.37,132,054.

6.10 Delayed Projects

The following observations are made.

- (a) One hundred and forty seven (147) construction contracts, being implemented by the 4 Ministries/ Departments had been delayed due to various reasons and 146 construction contracts in the 2 Ministries/ Departments had been completely abandoned without being commenced.
- (b) Eventhough a sum of Rs.1,399,015 had been given to the Executive Engineer, Kalawana in June 2015 on an estimate for the repair of official quarters of the Kalawana Base Hospital, only the roof had been repaired by 10 February 2016, the date of audit. As the repair work had delayed an expenditure of Rs.116,000 had been incurred as house rent up to February 2016.

6.11 Personnel Administration

6.11.1 Excesses and Shortages in the Cadre of Education Sector

In comprising the number of eligible teachers to prepared by the Provincial Department of Education in considering the required teachers of the schools in the Sabaragamuwa Province there were shortages and excesses of teachers in respect of various subjects. Particulars are given below.

Subject	Grade 6 – 11				Subject	Grade 12 – 13			
	Shortage		Excess			Shortage		Excess	
	No.of Zones	No.of Teachers	No.of Zones	No.of Teachers		No.of Zones	No.of Teachers	No.of Zones	No.of Teachers
English	07	161	07	82	Science and additional subjects	07	81	07	42
Technology	07	633	07	52	Arts-Commerce subjects	07	70	07	206
Other subjects	07	1929	07	518	Technology subjects	07	35	02	3

6.11.2 Attachment of Excess and Shortages of Teachers

It was further observed the following matters in this regard.

- (a) As the existence of the posts of Principal in 39 schools in the Education Zone, Mawanella, Principals posts had been covered by the teachers of the teachers service for the periods from 1 to 9 years. Similarly, there were anomalies in the attachment of teachers for schools in the zone. Eventhough the approved number of teachers of 14 schools was 315, 406 teachers had been attached and as such there was an excess of 91 teachers. Eventhough the number of approved teachers for 15 schools were 320 only 227 teachers were attached this showing a shortage of 93 teachers.
- (b) According to the Circular No.2007/20 dated 13 December 2007 of the Secretary to the Ministry of Education, the service periods of a teacher should be limited to 8 years in one school, contrary to that it was observed that 1295 teachers who had been serving in the same school for periods ranging from 8 to 36 years in 129 schools within the Mawanella Education Zone.
- (c) Eventhough the approved number of teachers of K/Walagamba Vidyalaya were 26, 36 teachers were attached. Eventhough the Deputy Principal had informed about the 10 excess teachers on 12 September 2014 no any action whatsoever had been taken by the Zonal Education Office. Time tables for 06 teachers had not been given for the year 2015 and the instructions given to those teachers by the Principal had not been followed by them.

- (d) Contrary to the provisions in the Circular No.2007/20 dated 20 December 2007 of the Secretary to the Ministry of Education it was observed that there were 922 teachers in 181 schools in the Dehiowita Education Zone had served in the same school for periods from 9 to 28 years without being transferred.

6.11.3 Excesses and Shortages in the Cadre of Health Sector

Excesses and shortages of staff in each service of the Health Sector are given below at Various Institutional Level.

Service	Provincial Director of Health Services Office		Ratnapura Regional Director of Health Services Office and Provincial Hospitals of Ratnapura District		Kegalle Regional Director of Health Services Office and Provincial Hospitals of Kegalle District	
	Excess	Shortage	Excess	Shortage	Excess	Shortage
Medical	-	09	02	102	-	40
Nurses	-	01	18	75	66	18
Pharmacist	-	-	-	10	-	10
Public Health Inspector	-	01	-	37	-	06
Family Health	-	-	-	121	-	87
Employees						
Dispensors	-	-	-	53	-	30
Attendants	-	-	-	56	-	37
Drivers	-	06	-	26	-	15
Cook	-	02	01	19	-	11
Watchers	-	-	-	51	-	21
Mortuary Labourer	-	-	-	54	-	30
Accountants	-	01	-	-	-	20
Medical Laboratory Technicians	-	01	-	18	-	08
Management Assistants	-	04	-	07	-	-
Development Officer	-	10	06	38	-	30
Health KKS	-	16	08	102	131	57
Public Health Field Officer	01	-	-	-	12	-
KKS	-	05	-	10	-	05
Total	01	56	35	779	209	425

The following matters were further observed.

- (a) There were 28 employees in the Undugoda Hospital served the period from 05 to 31 years and they had not been given transfer.
- (b) Eventhough the approved cadre of Health KKS (Junior) in 3 base hospitals, 2 District Hospitals, 5 Rural Hospitals, 14 Central Pharmacies, 7 Offices of Medical Officer of Health one estate hospital, chest clinic and Hemmathagama Peripheral Hospital had been 175 one hundred and seventy two in excess of the approved cadre had been employed.
- (c) Twenty eight officers and employees in the staff of the Kithulgala District Hospital had been employed for the period from 12 to 34 years without being transferred.

6.12 Medicines Management

The following observations are made relating to the Regional Health Unit of Ratnapura.

- (a) Although the sufficient stock of drugs in the Ratnapura Regional Medical Supplies Unit, Ratnapura was available at the beginning of the year 24 items of drugs had been unnecessarily ordered. Accordingly, it was observed at test check that a stock of drugs valued at Rs.3,563,168 had remained in the stores at the end of the year.
- (b) According to the Physical Verification Report, prepared by the Board of Survey appointed by the Provincial Director of Health Services office as at 31 December 2015, 73 items of drugs valued at Rs.7,754,483 and 41 items of drugs, the value of which was not made available for audit had expired.
- (c) According to the stock ledger for substandard drugs, a stock of drugs valued at Rs.22,707,344 relating to 18 varieties of drugs in the years 2014 and 2016 and 3 items of drugs, the value of which could not be found were observed.
- (d) At a Physical Verification carried out on 26 February 2016 relating to 92 selected items of drugs, a shortage of 7 items of drugs valued at Rs.288,092 and an excess of 20 items of drugs valued at Rs.190,470 between the ledger balance and the physical balance were observed.
- (e) In issuing stock of drugs to each hospital offices of the Medical Officer of Health and to other institutions, drugs should be issued with the recommendation of a responsible officer stating the information regarding the requirement of drugs (such as name of the drug, SR Number, quantity available in the stores at present and the required quantity). However, it was observed in audit that drugs had been issued frequently during the year 2015 on written orders without recommendations and orders made through telephone calls.

6.13 Bank Reconciliations

The following observations are made.

- (a) Action in terms of Sabaragamuwa Provincial Financial Rule 283.4 had not been taken in respect of 243 cheques totalling Rs.9,781,771 issued by various institutions under the Provincial Council but not presented for payments and lapsed for more than 6 months and the follow up action in respect of unrealised deposits totalling Rs.1,557,326 lapsed for more than 6 months had not been taken.
- (b) Unidentified debits relating to 12 bank accounts and credits relating to 10 bank accounts totalled Rs.1,192,177 and Rs.4,736,240 respectively.

6.14 Vehicle Utilisation

The following observation is made.

According to the Public Expenditure Management Circular No.CSA/P1/40 dated 18 March 2006 and the Letter No.CSA/P1/40 dated 23 October 2006 of HE the President, two official vehicles and one security vehicle can be allocated to the Chief Minister. However, Nevertheless contrary to that provision, 14 vehicles had been used by the Chief Minister in the year 2015 and a sum of Rs.9,394,883 had been spent in the year 2015 for the maintenance and repairs of those vehicles by the Chief Minister's Office.

6.15 Conduct of Annual Board of Surveys

The following observations are made.

- (a) Of the 1133 schools belonging to the Sabaragamuwa Province, Board of Surveys for the year had been conducted only for 175 schools and it was only for 164 in the year 2014.
- (b) Board of Surveys in 25 schools in the Dehiyovita Zone had not been conducted in any year. Board of Surveys in 17 schools and 15 schools had not been conducted after 1994 and 1995 respectively.
- (c) Board of Surveys in 230 schools belonging to the 5 Education Zones namely. Nivithigala, Balangoda, Embilipitiya, Kegalle and Mawanella Education Zones had not been conducted after 2010 up to the year under review.
- (d) Board of Surveys of 11 institutions out of 17 belonging to the office of the Provincial Director of Health Services existed under the Provincial Department of Health of the Sabaragamuwa Province and 20 institutions out of 108 belonging to the office of the Ratnapura Regional Director of Health Services for the year 2014 had not been conducted.

7. Accountability and Good Governance

7.1 Action Plan

Action Plans relating to the year under review had not been prepared by 5 institutions.

7.2 Audit and Management Committees

One audit and management committee had been held by 10 Ministries/ Departments, 2 Committees by 12 Departments, 3 Committees by 2 Ministries/ Departments had been met in the year under review and 2 Ministry/ Department had not held any Committee Meetings.

7.3 Procurement Plan

The procurement plan had not been prepared by 2 Ministries for the year under review.

7.4 Observations on Unresolved Audit Paragraphs

Rectifications in respect of 68 audit paragraphs included in the Auditor General's reports for 4 years from 2002 to 2005 relating to the 5 Ministries/ Departments which had been discussed at the Provincial Accounts Committee had not yet been done.

8. Systems and Controls

Deficiencies observed in audit had been brought to the notice of the Heads of Institutions of the Sabaragamuwa Provincial Council and the Chief Secretary from time to time. Special attention is needed in respect of the following areas of systems and control.

- (a) Accounting and Financial Control
- (b) Revenue Administration
- (c) Assets and Human Resources Control
- (d) Contract Administration
- (e) Implementation of Projects
- (f) Schools Management
- (g) Hospitals Management