

Eastern Provincial Council – Year 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Eastern Provincial Council for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement for the year then ended including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) 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 and provisions of the National Audit Act, No. 19 of 2018. In terms of Section 23 (2) of the Provincial Councils Act and provisions in Sub-section 11 (1) of the National Audit Act, No. 19 of 2018, the summary report was issued on 10 January 2023 and the Detailed Management Audit Report was issued on 31 October 2022 in terms of Sub-section 11 (2) of the National Audit Act. This report is submitted to Parliament in terms of Article 154 (6) of the Constitution and Sub-section 10 (1) of the National Audit Act and a copy of the report is submitted to the Governor for tabling at the Provincial Council under Section 23(2) of the Provincial Councils Act, No.42 of 1987.

In my opinion, except for the effects of the matters described in the Paragraph of Basis for Qualified Opinion of this report, the financial statements of the Eastern Provincial Council give a true and fair view of the financial position of the Eastern Provincial Council as at 31 December 2021, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for the Qualified Opinion

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Primary Health Care System Support Project (PSSP) of the Agriculture Department and Provincial Health Department had been purchased various non-financial assets amounting to respectively Rs. 159.80 million and Rs. 38.9 million were not included in the respective departmental accounts and the financial statements of the Provincial Council during the year under review. As a result, non-current assets and accumulated fund balances were understated.	Proper actions had been taken by the respective Department to add those capital expenditure upcoming financial statements.	Non-Financial Assets should be brought to the statement financial position and value also should be confirmed to audit.

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| (b) | According to Section 43 (ii) of the Cooperative Societies Act No. 05 of 1972, co-operative fund income due from 45 Miscellaneous Service Cooperative Societies (MPCS) totaled Rs. 60.31 million had not been accounted for or recovered so far. | Advised to expedite necessary action for recovery. | Co-operative fund's arrears should be recovered within the time frame and brought the balance to the statement of financial position as at the end of the year. |
| (c) | Out of the total purchases of Ayurvedic medicines during the year under review Rs. 55.87 million, totaling Rs. 45.96 million had been distributed to various Ayurvedic centres, while the value of remaining medicines amounting to Rs 9.91 million were not included in the Ayurvedic Centre accounts or in the Provincial Council financial statements. | Vouchers for medicines which issued by the Sri Lankan Ayurvedic Drugs Corporation are checked with "entered in to drugs registers maintained at relevant Institution" and certified for payments. However, the Drugs were purchased for the amount of Rs. 9,912,578 which were not added to the issued list erroneously. Action will be taken to minimize these types of errors in future. | Purchased values should be brought to the statement of financial performance with the accurate values. |
| (d) | Even though 02 vehicles belonging to the Chief Ministry totalled Rs.29.1 million were temporarily released to the Chief Secretariat Office and the Ampara Local Government Assistant Commissioner's Office in the year 2019, the value of these vehicles had not been included in the financial statements of the Chief Ministry and Provincial Council Fund. | It will be taken into the financial statements in future. | Non-financial Assets should be recognized in the financial statements after confirming the ownership of such assets. |

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility with regard to financial statements is further described under the Section "Auditor's Responsibility. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management for the Financial Statements

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

Management of the respective institutions including the Provincial Treasury is responsible for the financial reporting process of the Provincial Council.

As per sub-Section 16(1) of the National Audit Act, No. 19 of 2018, the North Central Provincial Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to prepare annual and periodic financial statements.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Management regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Comments on Financial Statements

1.5.1 Head - 901 Provincial Public Service Commission

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- Although the Provincial Public Service Commission had received applications for 12 efficiency bar examinations related to various positions to be held in the years 2020 and 2021, the efficiency bar examinations had not been conducted until the date of this report.	----- Though these exams were called on 31.01.2020, it was unable to conduct these exams in 2020 or 2021 due to the Covid-19 outbreak and the frequent all island curfew implementations throughout the years 2020 and 2021.	----- Prompt action should be taken to conduct the efficiency bar examinations without further delay.

1.5.2 Head - 902 Provincial Council Secretariat

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- Although 04 years have passed since the dissolution of the Eastern Provincial Council, 16 secondary level staff members and 10 primary level staff members, which were 87 per cent of the number of employees approved to work in the Council Secretariat, were employed without assigning any work and in during the period from 2019 January 01 to 31 December 2021, Rs.40.74 million had been paid as personal remuneration. The audit test check also revealed that the staff had not been employed to fill the vacancies in other departments and ministries of this provincial council.	----- Deputy Chief Secretary (Admin) has the power to transfer the permanent employees to other departments.	----- Action should be taken to transfer these officers to needed Ministries or Departments in the Eastern Province.

1.5.3 Head - 912 Rural Industries Development Department

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- (a) Action had not been taken to recover handloom textile debtor balances amounting to Rs. 4 million existed over	----- Debtor details not available in the department.	----- Action should be taken to recover the outstanding debtors

10 years and the individual balance details and time analysis of these debtors had not been submitted to the audit.

balances and submit the required details to audit.

(b) Under the Balanced Regional Development Program (BRDP), the Provincial Chief Ministry has set up 03 garment factories at Eravur, Veeramune and Seetanaveli at a cost of Rs. 191.04 million built at a cost of and given to a private company under a Public Private Partnership Agreement (PPPA) in 2017 at a monthly rent of Rs.440,000. However, the factories located in Weeramuni and Seetanaveli had not been used for the intended purposes for more than 04 years and rent arrears for the period from 01 September 2017 to 31 December 2021, Rs. 20.67 million had also failed to recover.

Although preliminary work had been done to start the new activities, the process of providing equipment to the trainers in those activities had been suspended due to the unexpected situation in the country. The private company had informed to me that the garment factory will be started from this year. Accordingly, "Seethanaveli" garment factory was started in February 2022 and is running with 36 workers.

Fruitful action should be taken to utilize the garment factories and to recover the arrears rental.

(c) A waste water treatment machine worth Rs.4.60 million remained idle in the warehouse of the Rural Industries Department for 03 years without being used.

Department is taking continuous measures to operate this water treatment plant as normal.

Action should be taken to utilize the wastewater treatment plant for intended purpose.

1.5.4 Head - 920 Chief Secretariat

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

(a) Without confirmation of arrivals and departures by fingerprint machines during the period from 01 January 2021 to 31 July various provincial departments and ministries of the Eastern Provincial Council had been paid overtime and holiday allowances totalled Rs. 2,627.50 million.

Accepted, action will be taken to rectify these types of errors in future.

Finger print scanner should be used to confirm the arrivals and departures before making overtime and holiday payments.

(b) Due to disputes of the construction of 02 bridges (0+360-2+920) on the Malwatta-Suruppodei road located in the Ampara district of the Eastern Province during the period from 2011 to 2013, Arbitration payment of Rs. 150 million was paid from

This confirms that approval had been given by the General Treasury on the recommendation of the Secretary of the Ministry of Local Government and

A formal investigation should be conducted and if the government has suffered a loss through this

the provincial fund during the year under review. However, Approval was not sought for making this payment from the General Treasury and the Chief Secretary of the Eastern Province had given approval for the same. Further, according to the information received during the audit, the contractor was paid Rs. 11 million due to the loss of the opportunity to resolve these disputes, thus it was also observed that a settlement payment of Rs. 150 million had to be made. This caused a loss of Rs.139 million to the government. It was pointed out by the Budget Department, in the letter No. BD/GPS/321/02/02 dated 2019 April 09, addressed to the Chief Secretary that if the relevant officers accept the responsibility of the settlement payment, after obtaining the approval of the Cabinet, the Treasury will be made these payments taking into consideration in connection with the existing financial situation of the Treasury. However, it was further observed that these payments were made without proceeding as above. In addition, as legal fees for conducting this arbitration process, Rs. 6.6 million had also been borne.

- (c) For the construction of a four-storied office building complex for the Eastern Provincial Council in Trincomalee district, the Department of Buildings, under the heading Eastern Province Provincial Secretariat, in the year 2017, allocated Rs. 205.38 million was estimated. This contract worth at Rs. 194.5 million was awarded to a contractor on 18 December 2017 and the contract was to be completed on or before 04 December 2018. The following observations are made in this regard.

Provincial Councils prior to payment of the amount.

The Adjudicator rendered his decision on 12 February 2014, and the project was nearing completion at the time the decision was announced.

And the decision was favorable to the contractor.

Therefore, the Eastern Provincial Council initiated an arbitration with the recommendation of the then supervising consultants appointed by the Ministry of Internal and Home Affairs and Provincial Councils and Local Government.

The selection of the arbitrator was made in terms of Section 6 of the Arbitration Act No. 11 of 1995.

The settlement process was initiated while the World Bank-assisted road project was underway, and payments were made from the project fund after the World Bank loan expired. A lawyer was also paid from the provincial council fund.

transaction, it should be recovered from the responsible officials.

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| <p>(i) According to the agreement, between the date of termination of the contract and 31 July 2021, the contract period had been extended on 07 occasions, but even by 31 October 2022, this contract had not been completed and used for the intended purposes.</p> | <p>The work was awarded on 04 December 2017. The completion time period was one year. Accordingly, the date to be completed is 03 December 2018. However, due to unavoidable reasons, the contractor could not complete the work.</p> <p>However, the contractor had handed over the building on 07.12.2021. Partitioning works which were not in the contract agreement were to be done and it had been given to another contractor and the building had been completed and ready for occupancy.</p> | <p>Action should be taken to complete the building works within the contract period and take measures to utilize the building for intendand purpose.</p> |
| <p>(ii) In respect of these delays, as per the contractual agreements, approximately Rs. 5 million liquidity charges had not been recovered from the contractor.</p> | <p>The contractor requested extension of the contract period due to the covid-19 pandemic in July, August, September and October 2021, which was approved by the employer considering the above reason. Subsequently the liquidated damages were not levied.</p> | <p>Action should be taken to recover the liquidity damages according to the contract agreement.</p> |

1.5.5 Head - 921 Deputy Chief Secretariat- Finance

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) The Revenue Unit of the Provincial Council collected court fines and stamp duty on behalf of the local governments in the Eastern Province amounted to respectively Rs. 274.74 million and Rs. 4.64 million were not disclosed in the annual performance report or in the financial statements confirming the remittance to the respective local authorities.</p>	<p>Action will be taken from this year.</p>	<p>Financial statements should work to disclose information about income for the user to understand.</p>

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| (b) | According to the Financial Statute 89 (1) of the Eastern Province No. 01 of 2008, legal action should be taken regarding the collection of taxes that are defaulted during the sale of property, but during the period from 01 January 2014 to 31 January 2022, legal action was not taken in 380 cases, amounting to Rs. 33.32 million to be recovered by the provincial council. | According to Finance Ordinance No. 01 of 2008, the Eastern Provincial Commissioner only has the authority to take legal action. However, the Commissioner was appointed on 05.11.2020. Now legal action is being taken against him for tax evasion. | Action should be taken to collect the revenue and achieve the targets. |
| (c) | Rs. 11.30 millions of retention money in relation to 05 departments, which have been overdue for over 2 years and miscellaneous deposits belonging to 12 departments totalled Rs. 18.75 million had not been dealt with in terms of Financial Regulations 571(2). | Arrangements will be made to settle this amount during this year. | Action should be taken to credit these amounts to the revenue or refund as soon as possible. |
| (d) | Action had not been taken in relation to advance account balances of government officials outstanding over 05 years totalled Rs. 27.29 million from the Provincial Council Secretariat, Chief Secretariat, Provincial Treasury and 04 Departments of Eastern Provincial Council as per National Budget Circular No. 118 dated 11 October 2004. | <p>Dept. of Education: The amount of Rs. 15,501,613 in the Annual Statement of Accounts in 2021 has been reduced to Rs.904,108 in the first quarter of 2022.</p> <p>PDHS: The department has taken several effective steps to recover the unsettle loan Balances.</p> <p>Council Secretariat: Two officials have fully settled their loan balances and one officer had settled the amount of Rs. 15,000.00 from his loan balance of Rs. 54,117.54. Other officers had not paid their loan balances so far.</p> <p>Dept. of Buildings: Legal action had been taken to recover the loan balances.</p> <p>Chief Secretary: A situation has arisen where it is impossible to recover</p> | Actions should be taken to recover these outstanding balances shown in the Advance to Public Officers Account. |

Rs.129,757.51 out of Rs.143,926.00 which was the distress loan balance.

1.5.6 Head – 922 – Deputy Chief Secretariat - Planning

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) During the year under review, for various capital expenditure including Provincial Specific Development Grants, Criterion Based Capital Grants aggregating Rs. 5,983 million had been allocated for provincial ministries and departments and out of which Rs. 3,517 million or only 58 per cent had been released to the respective ministries and departments. Remaining Rs. 2,466 million or 42 per cent had not been released by the year under review and the reason for this was that the infrastructure plans including the action plan, procurement plan and procurement timelines were not prepared properly.	Accepted. Instructions have been given to the relevant ministries and departments to correct the deficiencies mentioned in this paragraph in the future.	Actions should be taken to allocate or utilize allocations from the budget for specific tasks or to prepare the procurement plan including advance activity plan, procurement schedules.
(b) 05 Ministries and 09 various institutions of the Provincial Council had not been prepared an annual activity plan for the year under review as per the Financial Circular No. 2014/01 dated 17 February 2014.	Noted. Efforts will be made to avoid such defects in the future.	The action plan should be prepared as per the instructions given in the circular.

1.5.7 Head – 923- Deputy Chief Secretariat - Administration

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) The value of 31 government quarters and 02 guest houses under the Provincial Deputy Chief Secretariat's (Administration) had not been assessed and brought to the accounts and related title deeds and survey plans had not been submitted to the audit to confirm the ownership of these lands.	Some sort of administrative related issues and need a holistic approach to find a proper solution for all land related documents and valuation. So far, we have a plan to work collaboratively with all ministries and other stakeholders to find effective solutions to these issues.	The values of government quarters and guest houses should be assessed and brought to the accounts.

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| <p>(b) According to the number of employees approved by the Department of Management Services of the Treasury, the approved number of employees for Grade I officers of Sri Lanka Engineering Services is only 03. Nevertheless, 13 Grade I officers were employed in the Eastern Provincial Council, and 10 of them were working in Grade II and Grade III positions.</p> | <p>The Engineers who obtain there required qualification should have class I post in the Provincial Council. But only three posts are assigned for Class I Engineers. Therefore, we have requested to increase at least 6 in Class I posts. But it has not yet been approved by the Department of Management Services of the Treasury.</p> | <p>Action should be taken to revise the Sri Lanka Engineering Services cadre in the Eastern Provincial Council.</p> |
| <p>(c) Although the total cadre for posts related to various grades is 19,418, out of that 30 percent or 5,827 employee vacancies have been existing for more than 05 years. Despite this, 2,607 officers had been recruited excess for various posts without the approval of the Department of Management Services.</p> | <p>Deputy Chief Secretary – Personal & Training is only responsible for updating cadre details of all the institutions of the Eastern Provincial Council</p> | <p>Action should be taken to fulfill the vacancies and transfer the excess cadre to needed province.</p> |

1.5.8 Head - 924 - Deputy Chief Secretariat (Engineering)

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) The Deputy Chief Secretariat (Engineering Services and Infrastructure) had auctioned 17 vehicles at a scrap value of Rs 5.84 million without canceling the registration of the Commissioner General of Motor Transport Department.</p>	<p>In future this type of mistake won't be happened.</p>	<p>Procurement amount cannot be over the estimate amount.</p>
<p>(b) The former officer was re-employed on contract basis from April to November 2021 for the post of Deputy Chief Secretary (Engineering) in the Eastern Province Engineering Services and Infrastructure Secretariat. The approval of the Public Service Commission was not obtained for this appointment and</p>	<p>Re-employment from 01st April to 30th November 2021 was approved by the Hon. Governor on monthly basis.</p>	<p>Action should be taken to get approved from Public Service Commission.</p>

Rs. 1.34 million was paid to him as salary and allowances during his employment under contract basis.

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| <p>(c) 284 vehicles identified as cost-effective to repair were not repaired and put into service during the year under review.</p> | <p>Heads of Departments must take actions to repair their vehicles under the technical report recommended by Mechanical Engineer. We identified that some repairs had been delayed due to unavailability of funds and unavailability of vehicle parts in the country. However, maintenance and repairing of vehicles are duty of Heads of the Departments.</p> | <p>Action should be taken to repair and utilized these vehicles.</p> |
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1.5.9 Head - 926 - Provincial Internal Audit Department

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>Although internal auditors were appointed for ministries and various departments of the Provincial Council, no evidence was submitted to the audit that the recommendations made to the heads of departments of the Provincial Council were implemented by the internal audit reports.</p>	<p>Noted. Action will be taken to minimize these types of lapses in future.</p>	<p>Attention should be paid to implement the recommendations made by the internal audit units.</p>

1.5.10 Head - 927 – Department of Motor Traffic

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) The revenue licenses had not been renewed for more than 10 years for 112,068 vehicles registered under the name of Eastern Province, and in this regard, the Provincial Motor Transport Department had not taken action against the owners of the vehicles concerned.</p>	<p>Department of Registration of Motor Vehicle (RMV) should be taken the continuous action regarding the non-revenue license user vehicles.</p>	<p>Action should be taken to renew the vehicle Revenue License.</p>

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| <p>(b) Although the Provincial Motor Transport Department had spent Rs. 6.43 million for the introduction of the e-Revenue License system in the Eastern Province in 2015, Due to the lack of beneficiary awareness programs, 99 percent of the total vehicles registered in the province or 409,603 vehicles had not used this online system.</p> | <p>The guidelines was prepared in the form of book and leaflets to aware the public to apply the license themselves. As well as, these guidelines are exposed to public in the Divisional Secretariat also.</p> | <p>Action should be taken to hold awareness programmes for the beneficiaries for utilized this online system.</p> |
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1.5.11 Head - 931 – Department of Agriculture

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) During the year under review, an amount of Rs.25 million and Rs.200 million were respectively allocated for setting up eco-friendly safe farming units and setting up an agricultural product testing laboratory under the organic agriculture program "Sustainable Agriculture". However, this work had not been started and the imprest money had not been utilized for the intended purpose and had been remitted to the provincial treasury. Furthermore, under the above program, an amount of Rs.260.2 million was given to the Provincial Agriculture Department for the production of organic fertilizers and only Rs.51.2 million or 20 percent was spent for the scheduled activities during the year under review.</p>	<p>Galvanized pipes, shade nets and UV treated polythene with micro irrigation system are required to establish protected agriculture unit. It was discussed about the difficulties to purchase the required items due to Covid 19 pandemic situation and the price fluctuation at the progress review meeting with Hon. Governor. Then it was decided to give up this programme and remit the fund to Treasury.</p>	<p>Action should be taken to utilize the allocation for intended purpose within the financial year.</p>

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| (b) | <p>An amount of Rs.9.88 million has been allocated to the Department of Agriculture for the years 2017, 2018 and 2020 to establish 126 organic gardens in schools and government institutions as a model for teachers, students and government officials to promote home gardening and non-toxic food consumption. However, the goals of this project could not be achieved due to non-engagement of interested parties. Due to this, the expenditure of Rs. 1.7 million which had been spent on 60 model institutions for this project had become a useless expenditure.</p> | <p>Some schools were failed to maintain the model gardens. Agriculture Instructors and Technical Assistants are instructed to include their field visit in their Advance Programme and supervise the model gardens at schools.</p> <p>The necessary training and technical guidance are provided to utilize the equipment to maintain the gardens continuously.</p> | <p>Action should be taken to implement this project successfully.</p> |
| (c) | <p>Although the Batticaloa District Secretariat purchased 09 machines at a cost of Rs.999,649 and handed them over to the Department of Agriculture in April 2019 for the mushroom project at Karadianaru Service Training Institute, the above machines remained idle for more than 03 years without being used for the related tasks.</p> | <p>The mushroom unit is not functioning well. In this regard Deputy Director of Agriculture is instructed to make the follow up action.</p> | <p>Action should be taken to utilize these machineries for intended purpose.</p> |
| (d) | <p>A sum of Rs.7.2 million had been spent on establishing a traditional food promotion center and providing equipment. Although it was completed and handed over on 12 October 2020, the building and the purchased equipment were not used for those purposes and remained idle until 30 November 2022.</p> | <p>Though the equipment were purchased on 07.09.2020 for “Hela Bojun” opening. Unfortunately, due to unexpected situation of corona pandemic it was delayed till the normalcy come. Anyhow by the time it was stated to function, warranty period had been lapsed for Mixture blender, Wet grinder and Gas Cooker (Small). This situation was out of our control.</p> | <p>Action should be taken to utilize the building and equipment purchased for Traditional Food Promotion Centre.</p> |

1.5.12 Head - 932 - Department of Animal Production and Health

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- 35 vehicles remained idle for more than a year in the warehouses belonging to the Provincial Animal Production and Health Department without being repaired and utilized or properly disposed of.	----- Action is being taken to handover these vehicles to Deputy Chief Engineering Office-Eastern Province.	----- Action should be taken to repair and utilize these vehicles

1.5.13 Head - 934 – Department of Irrigation

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- An expenditure of Rs. 1.2 million had been incurred in 2021, for the establishment of a sub-office for the Ampara Governor's Secretariat in the building premises belonging to the Eastern Provincial Irrigation Department. Even so, this premise was not used for the relevant purposes and was given to the officers for accommodation facilities without charging any fees for more than a year.	----- Sub office purpose.	----- Action should be taken to utilize and recover rental outstanding.

1.5.14 Head - 941 – Department of Education

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- (a) A total of Rs. 18.44 million hardship allowances was paid for the months of May, June, July and September 2021 to the teachers working in 179 schools located in difficult and extremely difficult areas of Trincomalee district despite the closure of schools due to the situation of COVID-19 epidemic.	----- It was not possible to confirm whether the certain teachers or the principals were in those difficult/ most difficult areas during that time. We can get the payment back if we are instructed through the Central Ministry of Education regarding this.	----- Action should be taken to recover the allowances which paid without confirming the deployment of academic staff during the covid-19 period.

<p>(b) It was observed that the annual survey of inventory items in 1,117 schools, 17 Zonal Education Offices and the Provincial Education Department in the Eastern Province had not been conducted for more than 02 years, and as a result, the asset management system of this department had not been updated until now.</p>	<p>Action is being carried out to do the valuation of them.</p>	<p>Necessary action should be taken to conduct annual board of survey at the all schools within the stipulated time.</p>
<p>(c) An English teacher had been appointed to Tri/Kin/Wan Ella Muslim College, but the teacher had not reported to the school for duty since 26 December 2018, but a sum of Rs.1.57 million had been paid to him as personal salary between that date and 31 December 2021.</p>	<p>No comment</p>	<p>Action should be taken to recover the money so paid from the responsible officer.</p>
<p>(d) The mathematics teacher who was appointed to T/TN/Gomarankadawala Maha Vidyalaya was paid personal emoluments of Rs.5.59 million between 31 December 2008 and 30 September 2021, even though he did not report to work in the school.</p>	<p>No comment</p>	<p>Action should be taken to recover the money so paid from the responsible officer.</p>
<p>(e) 248 Development Officers appointed by the Secretary of the Ministry of Public Administration, Provincial Councils and Local Government were employed as graduate trainee teachers to teach various subjects to the students of 66 schools in the Kinniya Education Zone and a sum of Rs.59.52 million had paid to them as allowances for the year under review. Thus, it is observed that development officers have been allowed to teach till 31 July 2022 without issuing a teacher appointment letter.</p>	<p>No comment</p>	<p>Action should be taken to issue the letter of appointment as a teacher to those development officer properly.</p>
<p>(f) 360 people were employed as acting principals in various schools for more than 06 years without taking steps to recruit principals belonging to the Sri Lanka Principal Service. It is 25 percent of the total approved cadre.</p>	<p>No comment</p>	<p>Action should be taken to recruit the Principals from Sri Lanka Principals Service.</p>

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| (g) | Even though there were 566 vacancies for principals in 15 regional education offices in the Eastern Province, 20 principals were excess in 02 zonal education offices in Ampara district. | No comment | Action should be taken to balancing the excesses and shortages among the Province. |
| (h) | There are 17 zonal education offices in the Eastern Province, out of which 1,509 teachers are vacant in 11 zonal education offices, but the secretary of the Eastern Province Ministry of Education had appointed 664 teachers in excess for 06 other zonal education offices. Thus there was a excess of 100 teachers for 18 subjects in schools in Kinniya Education Zone. | No comment | Action should be taken to balancing the excesses and shortages of teachers within the Province. |

1.5.15 Head - 950 – Ministry of Health

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

Due to non-appointment of 40 medical consultants, 138 medical officers and 323 nursing officers for various hospitals in the Eastern Provincial Council, a situation had arisen which made it impossible to carry out patient care services without interruption.

Appointment of Medical Consultant, Medical Officer and Nursing Officer are being carried out by Line Ministry.

Action should be taken to fulfill the vacancies of medical consultants, Medical Officer's and Nursing Officers without delay.

1.5.16 Head - 951 – Department of Health Services

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

(a) During the year under review, a provision of Rs.8,081.24 million had been made for the recurrent expenditure of the Health Services Department. However, an expenditure of Rs.8,002.08 million had been incurred in the year under review and liabilities of another Rs.272.10 million had also been incurred. Accordingly, a commitment of Rs.192.94 million had been reached in excess of the approved provision in the year under review.

Provincial Department of Health Services have prepared draft estimate for Rs. 10,088.92 million as Recurrent Budget for year 2021. But only Rs 6,927.04 million allocated as Authorized Budget and with supplementary provision Rs. 1,154.20 million totally Rs.8,081.24 million had been allocated for total Recurrent Expenditure for the year 2021.

Action should be taken to limit the expenditure within the budgeted estimate or revised the budget.

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| <p>(b) According to Circular No. 01-18/2019 issued by the Ministry of Health, Nutrition and Indigenous Medicine in 2019, a Personal Health Record (PHR) should be issued to every person registered for the Primary Health Care System Strengthening Project (PSSP), but 05 hospitals in the Eastern Province had not been dealt with accordingly.</p> | <p>Certain Hospitals are lagging to issue this PHR, regular monitoring and guidance have been made improve the situation. However according to the World Bank project office Eastern province is the best is practicing issuing the PHR and other project scopes compare to other provinces. We will try to provide PHR where ever shortage there.</p> | <p>Action should be taken to complete the Personal Health Record (PHR) the balance 05 hospitals.</p> |
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1.5.17 Head - 952 – Department of Indigenous Medicine

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>Although the construction work of the Seruwila Central Ayurvedic Dispensary with an estimated cost of Rs.7 million was to be completed on 01 December 2021, only the foundation work was completed till 31 May 2022 and it was observed that the follow-up action was at a weak level.</p>	<p>Construction of Central Ayurvedic Dispensary at Seruvila was terminated because the contractor did not complete the work within intention completion period. Furthermore the contractor did not request for extension for the construction.</p>	<p>Action should be taken to complete the building works within the contract period.</p>

1.5.18 Head - 962 – Department of Land Administration

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>5,155 people have been residing on government lands without legal land rights for the past 5 years, in the Eastern Province and during the year under review, the Land Administration Department had issued land acquisition notices to 1,988 illegal residents. Due to this, the cases filed by 1,509 people in the courts till 30 June 2022, were not concluded due to the negligence of the officials.</p>	<p>According to land order No: 179 and 180 of Land Development Ordinance, categorically emphasize the Divisional Secretary, Colonization Officers and Grama Niladharis are responsible officers for this duty.</p>	<p>Action should be taken to complete the pending legal cases without further delay.</p>

1.5.19 Charter Accounts

(a) Housing Authority

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(i) Last year's closing net asset balance was Rs.5.03 million and it was shown as Rs.8.33 million as opening balance in the statement of change in equity for the year under review. Due to this, an unexplained variation of Rs.3.3 million was observed in net assets.	The net assets had been overstated in the financial statement for the year under review. We assure that this kind of mistake will not be occurred in next years and the amount will be rectified in next financial statement.	Correct amount should be brought to the financial statements.
(ii) A sum of Rs. 3.72 million which should have been paid for building construction work in 03 districts was not shown under current liabilities in the financial statement of the year under review.	These errors will be rectified when preparing the final account in next year	Bills in hand should be recognized as liability in the financial statements
(iii) A surcharge of Rs.4.64 million was imposed for non-payment of employee provident fund and employee trust fund contribution on behalf of 38 employees hired on contract basis by the authority for the period from 01 September 2018 to 31 May 2021. Further, the authority had so far failed to remit the above contributions and surcharge to the respective funds.	Eastern Provincial Housing Authority (EPHA) negotiated this matter with Labour Department of Trincomalee to pay the contribution due over 7 years. Accordingly, they have requested to submit the salary paid details for 7 years to calculate the arrears payable. EPHA prepared the salary particulars and sent Labour Department, Trincomalee on 04.03.2022. Due will be paid once the Labour Department of Trincomalee notified the amount payable. However, contribution for the EPF and ETF is being paid since June 2021.	Action should be taken to adopt the labour rules and regulation.
(iv) The required staff for the authority was not approved by the Department of Management Services, and accordingly, 38 officers were recruited without the approved number of employees and Rs. 14.77 million were paid as salaries and allowances in the year under review.	A decision has been taken at the board of director's meeting held on 22.02.2022 to re submit the new cadre for approval.	Action should be taken to approve the cadre.

(b) Road Passenger Transport Authority

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>-----</p> <p>(i) Rs. 1.40 million which should have been paid for building construction work in 03 districts was not shown under current liabilities in the financial statement of the year under review.</p>	<p>-----</p> <p>Bills in hand for the works of construction comes under PSDG fund had not been mentioned as current liability in year 2021. Action will be taken to indicate the Bills in hand as liability in future.</p>	<p>-----</p> <p>Action should be taken to recognize the liabilities as at December 2021 in the financial statements.</p>
<p>(ii) The Eastern Provincial Road Passenger Transport Service Authority had purchased 13 Point of Sale (POS) and 2,000 tickets connected to the GPRS system on June 08, 2015 at a cost of Rs.1.14 million to record the arrival and departure of private buses at the bus terminals and those items remained idle in the warehouse for more than 06 years without being used for the intended purposes.</p>	<p>Now System is working under testing period. After complete the testing period, if the software is functioning properly we can implement these 13 POS machine in all three district.</p>	<p>Action should be taken to commence the system without further delay.</p>
<p>(iii) 06 secondary level officers and 35 primary level officers were recruited in excess of the approved number of employees of the authority and Rs.9.06 million were paid to those officers as personal emoluments during the year under review.</p>	<p>The Eastern Provincial Road Passenger Transport Authority need more staff requirements due to the increase in the number of services and the positions were recruited on the recommendations of the former Minister of the Chief Ministry and the Governor of (E.P.)</p>	<p>Action should be taken to deploy and pay the personnel emoluments for only approved cadre.</p>
<p>(iv) Although the payment of salaries and allowances for the staff of the authority should be done with the money generated by the authority, the provincial chief ministry had borne those expenses for more than 05 years without doing so.</p>	<p>Authority has earn income around 1.5 Million monthly, and this is only the half of the recurrent expenditure.</p>	<p>Transport Authority should be earned sufficient fund to finance its day to day expenses.</p>

(c) **Tourism Bureau**

Audit Observation

**Comments of the Chief
Accounting Officer**

Recommendation

Without approving a suitable number of employees for the Bureau, between 01 August 2019 and 31 December 2021, employees at all levels were recruited on a contract basis and Rs. 12 million were paid to them as salaries and allowances.

Action is being taken to obtain the Management service department approval for a cadre of the Eastern province Tourism Bureau.

Action should be taken to approve the cadre.

(d) **Bureau of Preschool Education**

Audit Observation

**Comments of the Chief
Accounting Officer**

Recommendation

Conducting board meetings, formation of pre-school education advisory committees, number of pre-schools, survey of teachers and children, generation of sources of income, establishment of syllabus and curriculum, training of pre-school teachers etc. for last 05 years had not been done in a long time. Further, Rs.132.84 million was paid as personal emoluments to pre-school teachers in the year under review without performance evaluation.

Steps will be taken to develop a rating system in the near future, and instructions will be issued to the field officers to pay extra attention in this regard.

Action should be taken to appraise the performances of the pre-school teachers and to strengthen the internal control system.