

## Sabaragamuwa Provincial Council – 2022

### 1. Financial Statements

#### 1.1 Qualified Opinion

The audit of the financial statements of the Sabaragamuwa Provincial Council for the year ended 31 December 2022 comprising the Statement of Financial Position as at 31 December 2022, Statement of Financial Performance, Cash flow Statement, significant accounting policies and the summary of other explanatory information was carried out, for the year then ended, 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 Council Act No. 42 of 1987 and Provisions of the National Audit Act No. 19 of 2018. The summary report was issued on 31 May 2023 in accordance with the provisions of Section 23(2) of the Provincial Council Act and sub-section 11(1) of the National Audit Act No. 19 of 2018 and the Detailed Management Audit Report was issued on 14 June 2023 in terms of sub-section 11(2) of the National Audit Act. This report is presented to the Parliament in pursuance of provisions in 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 in terms of Section 23(2) of the Provincial Councils Act No. 42 of 1987.

In my opinion, except for the effects of the matters described in paragraph of Basis for Qualified Opinion of this report, the accompanying financial statements give a true and fair view of the financial position of the Sabaragamuwa Provincial Council as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Due to the provincial council is not liable for withholding tax, the income of the year had decreased by Rs. 9,614,383 due to the tax deducted from the bank interest during the year under review was adjusted to the accumulated fund, instead of credit to the interest account.	Noted to be revised the relevant values and submit with coampratively in the preparation of accounts for the year 2023.	Financial statements should be prepared correctly.
(b) The non-current assets of 03 provincial institutions amounting to Rs. 2,329,009,388 were not mentioned in the statement on the financial position of the provincial council fund.	It is advised to be assessed and accounted and completed within the year 2023.	Financial statements should be prepared correctly.

- (c) The work in progress under the office of the chief secretary was mentioned as Rs. 15,705,829 in the statement of the financial position of the fund, but there was no such value in the books of that office. It was noted to give instructions to include these values in the preparation of accounts for the year 2023. Financial statements should be prepared correctly.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those financial statements are further described under the Auditor's Responsibility section of my report. 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 determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 Sabaragamuwa Provincial Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable to preparation annual and periodic financial statements.

### **1.4 Responsibility of the Auditor for the Audit of 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, they could reasonably be expected to 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 controls.

- Obtain an understanding of internal control of the Provincial Council 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 its 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 those charged with management regarding among other matters, significant audit findings, including any significant deficiencies in internal control that were identified during my audit.

## **1.5 Comments on Financial Statements**

### **1.5.1 Head 800 – Hon. Governor’s Office**

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Provisions were not given to transfer the fuel allowance of one person to another person by the Presidential Secretariat Circular No. PS/CSA/00/1/4/2 dated 12 October 2018. However, the fuel allowance of Rs. 725,000 fixed for the Hon. Governor was paid to the private secretary when he was in outside from the island.	According to the order he had given to give the fuel allowance of Hon. Governor, the fuel allowance for September 2022 has been given to his private secretary.	It should be done as per the circular.
(b) Although a vehicle belonging to the Governor’s Secretariat had an accident and it was repaired in the year 2020, the compensation of Rs. 5,983,937 related to the repair was not received from the insurance company.	The investigation will be completed immediately and the report will be submitted.	Compensation amount should be received immediately.
(c) The emergency fund was established for the purpose of incurring unexpected expenses in Sabaragamuwa Province in accordance with article 2(1) of the statute of establishment of emergency fund. But, eventhough 33 years had passed, no money had been	There was no need to utilize money under the emergency fund.	It should be done according to the statute.

spent for the dangers as flood and corona epidemic in the province.

### 1.5.2 Head 801 – Provincial Council Secretariat Office

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Out of 18 main tasks of the council secretariat, 09 tasks are related to performance. As the provincial council is inactive, all the functions related to that performance remained inactive.	Since the provincial councils have been dissolved, it is not possible to carry out the performance-related tasks until a re-election and the establishment of council.	As the council is dysfunctional, staff should be attached effectively.
(b) 22 Persons were working attached to the council secretariat. But, due to the dissolution of the provincial council, a large number of functions, including committees, had also been inactive. However, the surplus of staff that had existed for a period of 05 years has not been explored for the ability to be effectively assigned to the officers until the work of the council is resumed.	After the dissolution of the provincial council, estimates were made considering that it would be re-established every year. Accordingly, the staff of the office was not considered as excess.	Action should be made to effectively utilize the surplus of employees.

### 1.5.3 Head 802 – Provincial Public Service Commission

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
In the situation of no exam candidates, due to the Provincial Public Service Commission planned to conduct the exams in the year 2022, 13 exams were not held due to non participants.	That some examinations were not conducted as applications had not been submitted.	All divisions should be coordinated in exam planning.

#### 1.5.4 Head 804 – Office of the Provincial Chief Secretary

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Although the investment interest income received during the year under review was Rs. 63,096,062, the said income was not estimated.	It is not possible to estimate as it is an unplanned work in the previous year .	Estimates should be prepared accurately.
(b) An official quarter of worth Rs. 1,500,000 belonging to the Sabaragamuwa Provincial Council, located in Kuruwita had been unused for about 20 years without any repairs. The custody of this official residence was not assigned to any institute.	These quarters were under the Highwayd Department before the establishment of Provincial Councils.	Action should be taken to take over the ownership of the assets.
(c) The Chief Secretariat had purchased 06 laptops for Rs. 1,140,000 without reviewing the technical specifications prepared in accordance with 2.6.1 (a) (ii) of the code of procurement guidelines.	That agreements have been made to obtain the recommendation of the Technical Evaluation Committee for the called specifications.	Should be followed the procurement guidelines.
(d) Although the approval of the Cabinet of Ministers and the Urban Development Authority, the land worth Rs. 9,280,000 on which the Sabaragamuwa Provincial Council complex was built, was not handed over to the provincial council by 09 April 2023.	The Director of the Urban Development Authority has informed that after receiving the land releasing grant documents form the Urban Development Authority, the land will be handed over.	The land should be handed over to the provincial council.

### 1.5.5 Head 808 – Office of the Deputy Chief Secretary (Engineering Services)

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the National Budget Circular No. 03/2022 dated 26 April 2022, the necessary parts of half-completed projects should be completed. But, accordingly, 40 constructions worth Rs. 524,613,811 in Kegalle, Dehiowita and Rambukkana areas were stopped on the way.	The necessary instructions have been given to construct the construction work as that it can be utilized.	According to the circular, the completions should be done as to minimize the inconvenience of the people and ensure their long-term existence.
(b) The progress of the construction of 06 health buildings contracted for Rs. 40,576,971 commenced in the year 2021 in Dehiowita area was between 10 percent and 82 percent as at 31 December 2022.	The Ministry is being taken action to complete the remaining work.	According to the circular, the completions should be done as to minimize the inconvenience of the people and ensure their long-term existence.
(c) While an additional post of Executive Engineer has not been approved for the Rambukkana executive engineer office, Sabaragamuwa Provincial Deputy Chief Secretary (Engineering Services) had assigned an officer for the post from July 2020.	Accepted	Appointments should be made only for approved posts.
(d) As it was not possible to confirm the ownership of 08 quarters in the custody of the Deputy Chief Secretary (Engineering Services) Office, it was not possible to evict the trespassers from those quarters for about 30 years.	It has been informed that it is not possible to find information about the correctness of the documents related to the transfer to the provincial council and to confirm this with the Provincial Land Commissioner.	Assets should be protected.

### 1.5.6 Head 809 –Department of Provincial Revenue

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A major function of the Provincial Revenue Department was to check that stamp duty had been paid on the correct value of the property on transfer. But,		
(i) Rs. 258,265 of outstanding stamp duty and fines were not collected in 05 cases between the years 2007-2016.	That Rs. 148,840 has been charged yet out of the outstanding amount of Rs. 407,105.	Outstanding stamp duty and penalty should be collected immediately.
(ii) 59 Gift deeds of Rs. 95,400,000 registered in the years 2019 and 2021 and 3,004 deeds of more than Rs. 05 lakhs registered in the year 2021 at the Rathnapura Land Registrar Office had not been assessed for correctness of stamp duty.	Due to the shortage of officers and the incompetency of the information provided by the Land registrar's office, it has not been possible to open the majority of the files.	Paid stamp duty should be assessed and collected.
(b) The arrears of turnover tax to be recovered during the period from the year 2018 to 2021 of Rs. 3,611,313 were written off in the year 2022. Apart from that, Rs. 8,107,896 remained to be charged from the balance as at 01 January 2011, which was canceled the turnover tax.	Since it was a canceled tax, there was continued default in payment and submission. The tax is deducted only when there is no other option to collect the arrears.	Arrears revenue should be charged.

**1.5.7 Head 810 – Provincial Ministry of Law and Order, Finance and Planning, Local Government, Health, Indigenous Medicine, Co-operative, Trade and Food, Transport, Estate welfare, Environment, News, Housing and Construction and Religious Affairs**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Investigations regarding 21 cases of misconduct reported to the Secretary of the Chief Ministry between 2015-2021 were not completed until December 2022. Further, it had taken between 06-68 months to submit the investigation reports for 06 disciplinary investigations.	The disciplinary investigations carried out from now on will be carried out without delay.	Disciplinary investigations should be completed without delay.
(b) The insurance company had agreed to pay an insurance compensation of Rs. 25 million considering the damage to a vehicle belonging to the Chief Ministry in the year 2017 as a whole loss. However, the then Chief Secretary denying the said compensation and contrary to government procurement guidelines, handed it over to a private garage in the year 2018 for repairs and an advance of Rs. 3,063,690 was given to the private garage from the relevant insurance agency in the year 2019. But even though 04 years have passed, the motor vehicle has not been brought to the provincial council and the full insurance compensation has not been received.	The necessary steps have been taken to inform the Sri Lanka Insurance Regulatory Commission regarding the non-payment of insurance compensation by the Sri Lanka Insurance Corporation eventhough completed the vehicle repair.	Should be taken action to recover the loss incurred to the government.
(c) The loss of Rs. 32,736,100 caused by 30 vehicle accidents between the years 2000-2018 was not recovered or cut off as per Provincial Financial Rule 54.	That departmental investigations pertaining to loss recovery or cut offs have been completed.	Should be followed the financial rules.



- (d) Advances of Rs. 76,488,131 issued Bills will be settled according to The loss incurred to the between 06 months and 06 years were the receiving imprest and the government should be not settled till the end of the year advances will be settled. recovered. 2022.

#### 1.5.7.1 Sabaragamuwa Development Construction and Machinery Authority

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<b>(a) Comments on Financial Statements</b>		
(i) The closing stock of Rs. 970,337 and the actual audited revalued profit of Rs. 4,500,000 was over accounted as at 31 December 2022.	This has happened in relation to stock of press and as per the instructions received from the audit, the journal entries have already been made.	Financial statements should be prepared correctly.
(ii) Rs. 1,576,967 of repair expenses of 13 vehicles to be indicated under non-completion work was accounted as an expense of the year.	Steps have been taken to correct the under allocated amount using journal entries.	Financial statements should be prepared correctly.
(iii) As per the payment of Gratuity Act, the balance of gratuity fund of Rs. 10,600,363 calculated as at 31 December 2022 was not invested.	The necessary instructions have been given to deposit the balance of the gratuity fund in a separate account when the financial condition of the authority will improve in future.	It should be done as per circulars.
<b>(b) Operational Review</b>		
(i) The recommendations for 03 damages of Rs. 54,394,444 identified in the initial investigation report issued in Janaury 2022 regarding the authority by the Secretary of the Provincial Chief Ministry had not been implemented.	That the request for appointing a loss and damage committee has been sent to the secretary of the Chief Ministry as per the instructions received from the relevant investigation committee.	Action should be taken according to financial rules regarding the losses and damages.

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| (ii)  | Security deposits amounting to Rs. 2,168,803 were not settled in relation to 20 construction completed industries.                   | It will be settled from the profit from the civil sector in future.                            | The security deposits should be settled.                                |
| (iii) | Although constructions are main function of the authority, it was not registerd in th ICTAD institute.                               | That registration was not obatined because tenders are not submitted by external institutions. | Since they are engaged in construction work, that should be registered. |
| (iv)  | Out of 20 vehicles and 9 machines in custody of the authority, 17 vehicles and all the machines remained unused since the year 2019. | With the growth of the construction industry, the assets can again be given on rental basis.   | Action should be made for utilization of assets.                        |

#### **1.5.7.2 Pinnawala Iperanigama Theme Park**

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) A boat was bought for Rs. 388,000 in March 2017 for boating and the income was Rs. 96,520 in that year and boating was stopped for 05 years due to insecurity.	The boat ride has been stopped due to a crocodile lurking in Ma oya. Although the Department of Wildlife Conservation has been informed about this, the crocodile has not been removed yet.	Assets should be utilized properly.
(b) Although 06 years had passed since the beginning of the park, the approval of the Management Services Department and the Salary and Cadre Commission for the cadre and salary scales had not been obtained.	No approval received from the Department of Management Services. But it was noted to re-examine this.	Approval should be obtained regarding the cadre and salary scales.

### 1.5.7.3 Sabaragamuwa Library Services Board

Audit Observation	Comments of the Chief Accountant; Officer	Recommendation
(a) Although accounts books were maintained, it was not possible to audit the accounts of the board due to non-preparation of accounts from the year 2015 when the board was established.	At the time of preparation of the financial statements of the main ministries, they will be submitted along with the transactions of the library.	Financial statements should be prepared in accordance with the statute.
(b) This board was established to achieve 17 objectives. But, 10 of these objectives have not been fulfilled since the date of the establishment of the Library Services Board. 04 out of 07 objectives were connected with the central library. 02 objectives had not specific role. 02 programmes were held in the year 2022 for the remaining purpose of awareness of readers. Accordingly, Rs. 5,545,424 has been paid as allowances to the members of the Library Services Board from the year 2015 to the year 2022, but the objectives of the establishment of the Library Services Board have not been achieved.	The implementation of programmes covering 17 objectives mentioned in the statute has been commenced from the year 2023.	Action should be done to fulfill the objectives of the institution.
(c) Although 20,651 books were purchased for Rs. 8,800,000 in the year 2016, 7,028 books were not used and that were piled on the floor of a library hall for a period of 08 years.	That requests have been made to the Chief Ministry regarding the obtaining bookshelves.	Action should be made to place the books for the reference of the readers.

#### 1.5.7.4 Sabaragamuwa Road Passenger Transport Authority

Audit Observation	Comments of the Chief Accountant; Officer	Recommendation
(a) <b>Comments on Financial Statements</b>		
(i) According to the confirmation of the balance of one bank current account, there was a credit balance of Rs. 141,336 as at 31 December 2022, but that account was not indicated in the financial statements.	Relevant corrections will be made and bank reconciliations will be prepared.	Financial statements should be prepared correctly.
(ii) Allocations of Rs. 52,007,888 for gratuities had not been made at the end of the year under review.	That past deficiencies are rectified and payment of gratuities will be act in accordance with the Act.	Should be act as per the relevant Act.
<b>(b) Revenue Management</b>		
(i) Arrears of shop rentals from 64 shops between 01 month and 13 years were Rs. 3,576,162 by the end of the year 2022.	Arrears rentals will be charged.	Arrears should be collected promptly.
(ii) Fines of Rs. 176,112 were not collected from 57 buses in Kegalle district in the year 2022.	That the outstanding amount of Rs. 176,112 as at 22 May 2023 will be charged promptly.	Fines and surcharges should be collected promptly.
(iii) Outstanding log sheet income of Rs. 7,462,850 in the years of 2021 and 2022 from 74 bus stands and inter-provincial entrance charges of Rs. 1,134,500 from 46 buses have not been collected. Also, fares of Rs. 4,771,450 were not collected from 556 buses whose passenger service permits were not renewed in Kegalle district during the year under review.	That three written notcies will be given to buses that do not receive log sheets for a long period of time and after that they will act according to the decisions of the Board of Directors.	Revenue should be charged correctly.
(iv) The rent of 43 shops, which should be assessed in 03 years as per the lease agreement, was not assessed even after 5 years.	It has been arranged to assess the shops in the year 2023 and to increase the charges by 10% for three years.	Should be ct as per the agreement.

**(c) Operational Review**

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| (i) When the dividends related to the previous year had not been paid to the provincial council fund and funds had been received from the provincial treasury for expenses in accordance with Public Enterprises Circular No. 8/2022 dated 21 December 2022, Rs. 1,500,586 had been paid as allowances on remaining leaves in the year 2022. | Will be followed the instructions pointed out by the audit.  | Should be act as per the circular.  |
| (ii) The authority had bailed for the loans of the bus owners contrary to the powers of the charter. Due to 31 out of that had failed to pay Rs. 2,876,604, there was a risk to the authority as the guarantor.  | Should be act as per the instructions of the Ministry of Transport.  | Should not be act contrary to the charter.  |
| (iii) 09 persons had been hired and paid for the posts including District manager and 52 persons had been hired more than the approved number of 03 posts.   | That the recruitment procedures have been submitted to the Department of Management Services and related activities are in progress. | Recruitment should not be done without the approval of the Department of Management Services. |

**1.5.7.5 Sabaragamuwa Provincial Housing Development Fund**

<b>Audit Observation</b>	<b>Comments of the Chief Accountin; Officer</b>	<b>Recommendation</b>
The cash balance as at 31 December 2022 was Rs. 292,959 and it had been remained unchanged from the year 2017. Accordingly, the fund had been remained inactive from the year 2017.	After the establishment of a new council, it has been decided to prepare a system to increase the fund and implement a suitable housing development programme.	Arrangements should be made to fulfill the purpose of establishing the fund.

### 1.5.8 Head – 811- Provincial Department of Health

Audit Observation	Comments of the Chief Accountant; Officer	Recommendation
(a) According to the private Medical Institutions Registration Act No. 21 of 2006, private medical institutions should be registered in the Private Health Services Regulatory Council. However, 68 unregistered medical institutions were established and implemented in the province. Also, according to that Act, although 50 percent of the fees earned from the regulation of registered institutions should be remitted to the Provincial Council, Rs. 3,921,192 which was given to the Sabaragamuwa Provincial Health Services Director office in previous years was deposited in a bank current account instead of being remitted to the provincial council. That bank account was not disclosed in the provincial council financial statements and its balance as at 30 October 2022 was Rs. 566,992.	That arrangements have been made to inform about the registration. That the problem will be solved in future.	It should be done according to the provisions of the Act.
(b) Equipment worth Rs. 471,435, which had been given to Endana Regional hospital in the year 2018 for a water supply system, was retained insecurity in the hospital premises.	Arrangements have been made to take 228 tubes to health institutions as needed in future.	Planning should be done properly and resources should be utilized.
(c) Out of the 7,693 approved staff in the Provincial Health Department, there were 735 vacancies and out of that, 657 posts of health staff and 78 posts of non-health staff were vacant. The total surplus staff was 443 and out of that, 143 posts were health staff and 300 posts were non-health staff.	Vacancies are filled by promotion to several posts. The posts assigned by the central government cannot be controlled by the provincial council. That Development Officers are assigned as per government policies.	Arrangements should be made to fill up the vacancies and transfer the excess staff to other suitable place.

### 1.5.9 Head – 812 – Provincial Department of Ayurveda

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
(a) As per instructions given by the Finance Commission through a gazette notification, no action was taken to encourage the plantation of herbals. Due to this, Rathnapura District Deputy Director of Agriculture informed to the uadit that Rs. 11,332,620 had been purchased for 16 tupes of drugs only in the year 2021 and out of that, 14 types of drugs can be grown in the province.	Action is being taken to identify the problem and name the drugs to the institutions that have enough space for plantation and assign goals and responsibilities regarding that plantation.	Plantation of herbals that can be planted in the province should be encouraged.
(b) The herbal plant conservation work carried out by the Rajawaka herbal plantation and conservation project for a period of 06 years from 1998 was handed over to a rural community organization in the year 2004. Since then, the conservation activities had failed completely and the herbal garden office and 02 acres of plantation land were growing wild and the resources belonging to it were being destroyed.	The development work is on the way.	Conservation work should be done in herbal plants and herbal gardens.
(c) There was an excess of Rs. 1,197,875 slow release drugs purchased on 02 ayurvedic hospitals in the year 2019.	Arrangements will be made to issue it to the required hospitals in future.	The drugs should be issued before their expiry date.

#### 1.5.9.1 Pinnawala Panchkarma Unit

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
The accumulated depreciation value of Rs. 506,931 related to the period between 2019-2022 was not reported to the provincial treasury for credit to the depreciation reserve fund as per Financial Rule 377-1.	That the annual depreciation amount will be promptly credited to the depreciation reserve fund based on the received income.	Should be followed financial rules.

### 1.5.10 Head – 813 – Provincial Department of Co-operative Development

Audit Observation	Comments of the Chief Accountant; Officer	Recommendation
(a) As per section 43 (b) of the Co-operative societies charter No. 03 of 2007, all registered co-operative societies should submit their final accounts within 03 months after the end of the financial year. But, out of 335 societies in Kegalle district, 163 societies have not submitted their final accounts for the year 2022 till April 2023. Also, although the societies should be audited annually according to article 44 (i) of the charter, 172 societies out of 570 active societies in Sabaragamuwa province were not audited from the year 2013 to 2021.	Arrangements have been made to send reminder letters to cooperative societies. Kadigamuwa Sanasa Society is inactive and this society had been referred to liquidation.	It should be done according to the charter.
(b) According to section 9 of the Co-operative Development Commissioner's circular No. 2011/18 dated 03 January 2011, Rs. 60,143,000 from 06 multi purpose co-operative societies in Kegalle district and Rs. 112,159,000 from 03 multi purpose co-operative societies in Rathnapurs district were transferred from the rural banking sector to other sectors without the approval of the Co-operative Development Commissioner in the years 2021 and 2022.	Due to the financial crisis in the years 2021 and 2022, the money owned by the rural banking sector was taken for the activities of other business sectors.	Should be act as per circulars.



### 1.5.11 Head 814 – Department of Local Government

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
Revenue collection plan and a quarterly investigation of the progress of revenue collection were not done by the Department of Local Government. Due to this, the progress of collection of arrears and conversion revenue in the local government institutions of the province was less than 50 percent as at 31 December 2022.	Arrangements are being made to increase the progress of revenue collection.	A revenue collection plan should be prepared and the progress of revenue collection should be enhanced.

### 1.5.12 Head - 820 –Ministry of Provincial Roads Development, Rural Infrastructure, Tourism, Sports and Youth Affairs

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
(a) The contractor who undertaken to supply and fix 1046 road name boards for Rs. 15,063,060 in the year 2016 had neglected the work. The ability to collect late fines of Rs. 752,653 had been lost due to that the procurement committee of the provincial ministry of roads had act to extend the days for 681 days or 567 percent of the contractual period for that. Later, the same committee had also decided to accept the completed number of name boards and terminate the contract. Instead of charging the performance security of Rs. 754,000 for blacklisting the contractor and breaching the contract, steps were also taken to pay Rs. 1,458,567 for 155 half-finished name boards.	Action is being taken to pay half of the fee without paying the full payment for name boards with defective details, name boards placed in unnecessary places, name boards not properly placed. That the second extension has been given considering the difficulty in procuring the raw materials and the time taken for the printing of the name board sticker.	The work should be completed as per the agreement and the contractors who have not completed the work should be act as per the agreement.

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| (b) | Advances of Rs. 4,812,644 given for construction in the years of 2006 and 2007 were not settled even though they had exceeded 15 years at the end of the year under review. | The Attorney General has been referred to take necessary steps to resort to arbitration against the contractors. | Action should be taken to recover the loss to the government. |
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### 1.5.13 Head 821 – Provincial Department of Sports Development

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>	
(a)	According to the Sabaragamuwa Provincial Sports Charter, the sports development department had not completed the tasks of establishment of sports boards, sports development, holding a sports fund, registering and monitoring sports associations, sports scholarships and establishment of sports craft schools until February 2023.	As the sports unit was transferred to different ministries and the provincial council was dissolved, there was not minister of the sports subject and due to that, the powers to implement the provisions of the charter did not exist.	It should be done according to the charter.
(b)	Although 680 persons qualified for the inter-divisional sports for the 47 <sup>th</sup> National Sports festival, 545 out of them could not come forward to represent Sabaragamuwa province because the sports development department had not a suitable programme to participation of all of them.	The first stage of the competition was held in the months of July and August. That the advances have been settled by December 2022.	Advances should be settled immediately upon completion of the scheduled work.

### 1.5.14 Head 830 – Provincial Ministry of Social Welfare, Probation and Child Care, Rural Development and Rural Industries

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
An outstanding sub imprest balance of Rs. 960,475 coming from the year 2007 was not settled during the year under review.	The Attorney General has sought assistance in resorting to arbitration proceedings.	The government should take action to recover the loss.

#### 1.5.14.1 Provincial Social Services Fund

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
Although Rs. 61,000,000 was invested in fixed deposit by the fund, according to paragraph 06 of the charter of establishment of the fund, the tasks of providing nutritional and educational assistance to the needy and disabled children was not done during the year under review.	That the project reports required to provide assistance are currently being prepared.	Funds should be used as per the charter.

#### 1.5.15 Head 831 – Provincial Department of Industries

##### 1.5.15.1 Establishment of Textile industry work stations and Administration

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
(a) Land and buildings worth Rs. 6,200,000 remained idle between the year 2007 and 2017 due to the closure of 03 centers located in Kegallr district.	These assets have been handed over to the respective Divisional Secretary.	Action should be taken for utilization of assets or appropriate use for other purposes.
(b) The depreciation value of Rs. 40,448,121 related to the period between the years 2011-2022 was not informed to the provincial treasury for credited to the depreciation reserve fund as per financial rule 377.1	It will be remitted to the provincial treasury after the improvement of financial situation.	Should be followed financial rules.
(c) According to financial rule 378.2, the net profit of Rs. 20,217,320 related to the period between the years 2014-2022 was not credited to the miscellaneous revenue head of the provincial council.	It will be remitted to the provincial treasury after the improvement of financial situation.	Should be followed financial rules.

### 1.5.16 Head - 840 – Provincial Ministry of Education, Information Technology and Cultural Affairs

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
(a) 39 complaints or 56 percent out of the 70 disciplinary complaints received to the Ministry of Education in last 03 years had not been completely investigated by February 2023.	The relevant reports have been referred to the zonal education offices.	Disciplinary investigations should be concluded expeditiously.
(b) The spent money of Rs. 645,994 had been an uneconomic expenditure due to that part of the tiles laid in a building of R/ Pussella Maha Vidyalaya had fallen off and non-utilization of the constructed water tank holder for the expected use.	It has been decided to adjust the deficiencies without paying the retention money from the construction work.	Action should be taken as per the agreement regarding deficiencies.
(c) Rs. 1,879,920 spent for construction of toilet system in R/ Ayagama Sri Rahula Maha Vidyalaya, which was being built in the year 2015, had become a useless expense due to abandonment of the construction in June 2016. The appointed investigation committee for that was submitter their report in February 2019 and 03 years had passed until December 2022, but action had not taken. Due to this, the financial loss of Rs. 506,062 according to the report and the incorrect payment of Rs. 77,310 could not be settled.	After receiving the report, further action will be taken.	Should be recovered the financial loss to the government.
(d) 24 Constructions worth Rs. 500.98 million had been abandoned in the project of “Nearest School is the best school”.	These industries had to be stopped on the way due to the delay in receiving the imprests and various obstacles to the continuous completion of the construction.	These buildings should be made as usable condition.

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| (e) Advances of Rs. 3,321,323 given in the year 2017 for 03 construction industries were not settled until 31 December 2022. | These advances will be settled immediately after receiving bills. | Arrangement should be made to settle the advances. |
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#### 1.5.16.1 Sabaragamuwa Early Childhood Education Development Authority

<b>Audit Observation</b>	<b>Comments of the Chief Accountin; Officer</b>	<b>Recommendation</b>
Although the main task of the authority is to register all early childhood development centers within the province of Sabaragamuwa, there were 360 unregistered preschools in the province and 941 preschools out of 1,407 registered preschools had not renewed their registration for the year 2022 until December 2022.	Out of 941 preschools whose registration has not been updated, 366 preschools have been registered yet.	Necessary arrangements should be made for registration of unregistered preschools.

#### 1.5.17 Head – 841 - Provincial Department of Education

<b>Audit Observation</b>	<b>Comments of the Chief Accountin; Officer</b>	<b>Recommendation</b>
(a) Out of the 585 official residences in 07 educational offices and schools, 195 residences were in a condition to be repaired, 74 official residences were unusable and 63 residences were used for other purposes.	The necessary action to repair the official residences and make them usable will be carried out as soon as possible.	Assets should be used for purposeful activities.
(b) Assessments to account the lands of the provincial education office, zonal offices and 1080 schools had not been done.	The assessment process has been considered as a priority and related activities have been commenced.	Non- current assets should be properly accounted.

- (c) There was a deficiency of 13 posts at the senior level and secondary level in the investigation of staff information as at 31 December 2022 in the Provincial Education Department and there was an excess of 10 officers in the Development Officer service and one person in the Information Technology Officer service.
- Requests related to filling vacancies have been referred to Sabaragamuwa Provincial Chief Secretary and the Education Secretary.
- That information about excess officers has been referred to the Chief Secretary.
- Arrangements should be made to fill up the vacancies and appropriate attachments of excess staff.
- (d) The approved teaching staff was 24,401 in Sabaragamuwa Province and there was a shortage of 3,643 teachers due to the actual staff was 20,758.
- Accept.
- Should be filled the vacancies.
- (e) There was an excess of 2,168 Development Officers in Sabaragamuwa Province as 819 Development Officer positions in the zonal education offices and 1,349 Development Officer positions in the school staff.
- The government has done this recruitment more than required. Due to this, they have to be assigned to zonals and schools as there are no vacancies for them in institutions.
- Vacancies should be filled and excess should be attached properly.
- (f) 05 Deputy Education Director posts, 14 Assistant Education Director posts, 02 Divisional Education Director posts were vacant in Sabaragamuwa Province and 05 Deputy Education posts were excess in one Zonal Education office.
- That the requests related to the completion of vacant posts here have been informed to the Chief Secretary of Sabaragamuwa Province.
- Arrangements should be made to fill the vacancies and transfer the excess staff to other suitable place.
- (g) 10 Posts of Sinhala medium teaching advisors, 01 post of Tamil medium teaching advisor in Kegalle district and 55 positions of sports coach in Dehiowita zone education officer were employed on line ministry positions without getting an approval.
- The salary for the post of Provincial Council school sports coach is paid through the central government line ministry provisions. These officers are not included in the number of employees approved by the Provincial Council.
- Action should be taken to assign the excess staff to another suitable place.

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| (h) | 475 Principal posts, 67 Deputy Principal posts and 116 Assistant Principal posts were vacant in the province and 14 posts of Deputy Principal in Mawanella Zonal Education Office remained excess. 397 Teachers were employed as Acting Principals for a period between 03 months and 32 years without permanent appointment for the posts of Principals in 397 schools. | The total approved number of Principal posts, Deputy Principal posts, and Assistant Principal posts was 1453 in the province and the actual number was 752. Accordingly, there were 701 vacancies.  | Vacancies should be filled.  |
| (i) | The service of 512 teachers who are appointed as teachers in 271 schools belonging to 06 Zonal Education offices between the year 2008 and 2020 had not been permanent until 31 December 2022.   | Incomplete documents, delay in submission of documents, non-approval of leave, unconfirmed exam results, delay in receiving of personal files, incomplete modules, carrying on initial investigations were caused to the delay for the permanent of teachers. | Should be act as per the Establishment Code.   |
| (j) | The zonal offices had not been reimbursed the paid salaries of Rs. 20,575,366 without any verification of reports, arrival and departure reports, leave reports and reports of received allowances received from the released institutions for 15 teachers out of 32 teachers who were released to other institutions from the date of release to 31 December 2022.      | Although information has been obtained about officers released from Dehiowita, information about officers from other zones has not been obtained.   | The information of the officers should be obtained and action should be taken to reimburse the salaries. |

**1.5.18 Head 850 – Provincial Ministry of Land, Provincial Irrigation, Agriculture, Animal Production and Animal Health and Fisheries**

<b>Audit Observation</b>	<b>Comments of the Chief Accountin; Officer</b>	<b>Recommendation</b>
Rs. 582,800 had been paid for the non-performed work of 07 irrigation industries completed during the year under review.	That an amount of Rs. 732,325 has been paid for the non-performed work.	The money paid for the non performed work should be recovered immediately.

### 1.5.19 Head-851 – Provincial Department of Land Commissioner

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
(a) The arrears of water taxes with a total value of Rs. 2,465,059 were not recovered in relation to 06 water projects of 02 Divisional Secretariats.	That the money had not been paid till now.	Arrangements should be made to recover the arrears of water tax.
(b) An outstanding land tax balance of Rs. 90,230,365 was not recovered as at 31 December 2022 and Rs. 30,962,117 out of that was more than 02 years old.	That tax arrears information will be collected from the Divisional Secretariats and tax arrears will be collected.	Action should be taken to recover the arrears of tax as per the financial rules
(c) Although 615 surveyor requests received between the years 2019-2022 in Sabaragamuwa province were referred to the Surveyor Officer of the department in each year, 526 requests or 85 percent out of that had not been completed by September 2022.	The Commissioner General of Land has been informed to request the Surveyors.	Land survey work should be completed immediately.

### 1.5.20 Provincial Department of Agriculture

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
According to the project report of the “Sajeewya” organic fertilizer programme, the requirement of organic fertilizer in Sabaragamuwa province was 45,665 metric tons. The initial objective of the programme was to complete that goal within two years. But, the production in the two years was 8,950 metric tons and the success rate of achieving the targets was 19.6 percent. Accordingly, Rs. 73,700,000 spent for the project in the years 2020 and 2021 was an unprofitable expenditure and there was no work order to make this programme successful again.	The enthusiasm of the people was declined and failed to achieve this goal due to re-importance of chemical fertilizers.	People should be motivated to increase the use of organic fertilizers in the province.



### 1.5.21 Head – 853 – Provincial Department of Animal Production and Health Services

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
(a) Although Rs. 4,213,900 was paid as rent from the year 1993 to the year 2022 for 04 vaternity offices in private buildings, the feasibility of maintaining them in government buildings was not explored.	That government owned buildings have to be maintained in rented buildings in cases where they cannot be found in the area.	Every effort should be made to maintain government offices in government buildings.
(b) 06 Official quarters belonging to Department of Animal Production and Health have been unused since the year 2014 without any repairs.	The necessary work for the repair of the quarters will be done according to the amount of provision allocated in future.	Quarters should be maintained at regular time period.

#### 1.5.21.1 Udugoda Animal Control, Development and Training Centre

<b>Audit Observation</b>	<b>Comments of the Chief Accountant; Officer</b>	<b>Recommendation</b>
(a) The Institute of Animal Nutrition had confirmed that the essential nutrition components that should be in 02 types of animal food are not within the approved limits. Therefore, instead of that animal feed of 10,000 kg which was Rs. 1,527,750 being rejected and sent back, that food was further issued to the animals.	That the supplier had been informed to remove the undernourished food from the warehouse.	Should be given due care when issuing animal food.
(b) About 20 acres of land was overgrown and unused.	That the land owned by the farm will be fully utilized.	The land area should be used maximumly.
(c) 04 Buildings of Rs. 3,500,000 in which the pultry unit was located, 273 concrete pillars of Rs. 232,050 received in December 2018 and a quarter remained idle since October 2021.	All the buildings will be used from the year 2023 and production activities will be carried out and concrete pillars will be set and completed.	Action should be taken to utilize the idle assets immediately.