

Sabaragamuwa Provincial Council-2011

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of my information and according to the explanations given to me, I am of opinion that the Sabaragamuwa Provincial Council had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Sabaragamuwa Provincial Council as at 31 December 2011 and financial results of its operation and cash flows for the year then ended.

1.2 Presentation of Financial Statements

(a) Provincial Council Fund Account

Provincial Council Fund Account for the year under review was presented to audit on 30 March 2012.

(b) Other Accounts

Progress relating to the presentation of other accounts of the Provincial Council for the year under review as at 30 June 2012 is shown below.

		For the Year 2011		
		Total Number of Accounts	Number of Accounts Submitted	Number of Accounts not Submitted
(i)	Appropriation Accounts	28	28	-
(ii)	Revenue Accounts	01	01	-
(iii)	Advances to Provincial Council Officers Accounts	25	23	02
(iv)	Commercial Advance Accounts	06	03	03
(v)	Fund Accounts	03	01	02
(vi)	Statutes Accounts	03	03	-
		---	---	---
		<u>66</u>	<u>59</u>	<u>07</u>

1.3 Comments on Financial Statements/Comments on Transactions, Operations and Performance

1.3.1 Accounting Deficiencies

	<u>Income</u>		<u>Expenditure</u>		<u>Assets</u>		<u>Liabilities</u>	
	Number of Instances	Value	Number of Instances	Value	Number of Instances	Value	Number of Instances	Value
		Rs.		Rs.		Rs.		Rs.
(a) Overstatements in Accounts	01	87,458,612	01	804,182	05	6,037,913	05	7,522,533
(b) Understatements in Accounts	-	-	-	-	01	9,358,071	-	-
(c) Omissions in Accounts	-	-	-	-	02	2,667,427	-	-
		---	---	---	---	---	---	---
Total	01	87,458,612	01	804,182	08	18,063,411	05	7,522,533

1.3.2 Classification Errors

According to the accounts as at 31 December 2011, the short term investments totalling Rs.1,116,359,799 representing from the fixed deposits in the Bank of Ceylon had been shown in the Foot Note.14(c) as Investment on Treasury Bills. Although this presentation errors had been disclosed in the audit queries relating to the audit of financial statements for the year ended 31 December 2010, this investment had continuously been shown as investment on Treasury Bills. Therefore, an incorrect view as such an had illustrated that the surplus funds of the Provincial Council had been remitted to the Treasury of the Central Government.

1.3.3 Un-reconciled Control Accounts

The total of balances relating to 06 items of accounts according to Control Accounts amounted to Rs.27,764,611 whilst total of balances according to subsidiary records/ reports amounted to Rs.27,641,434.

1.3.4 Bank Reconciliations

The following matters were observed.

- (a) Preparation of Bank Reconciliations relating to 15 Bank Accounts of 08 Provincial Ministries, Departments and institutions had been delayed.
- (b) Action in terms of Financial Regulation 396 had not been taken in respect of 566 cheques totalling Rs.267,784,382 issued but not presented for payment for more than 06 months.
- (c) Follow up action had not been taken in respect of deposits totalling Rs.5,120,831 not realized for a period of more than 06 months.
- (d) Action had not been taken in terms of provision of the Financial Regulations relating to 14 dishonored cheques totalling Rs.534,967.
- (e) Unidentified debits relating to 28 Bank Accounts amounted to Rs.3,138,094 while unidentified credits relating to 25 Bank Accounts amounted to Rs.8,512,927.
- (f) Action had not been taken by 03 institutions up to January 2012 to hand over 24 cheques written for the total value of Rs.1,734,910 during the year 2011 to the payees.

1.3.5 Accounts Payable

The value of account balances remaining over a period of 01 year was Rs.405,922.

1.3.6 Imprest Accounts

The unsettled debit balances and credit balances of Imprests as at 31 December 2011 totaled Rs.63,390,918 and Rs.3,372,712 respectively.

1.3.7 General Deposits Accounts

The value of General Deposits remaining over a period of 02 years as at 31 December 2011 on which action could have been taken in terms of Provisions of the Financial Regulations 571 but, not taken accordingly was Rs.41,948,428.

1.3.8 Lack of Evidence for Audit

(a) Unanswered Audit Queries

Replies for 53 audit queries had not been presented as at 31 December 2011 and the value of quantifiable transactions included in those audit queries was Rs.105,481,958.

(b) Non submission of Information for Audit

Transactions totalling Rs.936,146 relating to 05 institutions could not be satisfactorily vouched in audit due to non submission of necessary information for audit and it was unable to submit the motor cycle bearing number 100 sri 6674 existing at the Veterinary Office, Kalthota for the audit inspection carried out on 02 February 2012.

1.3.9 Non-compliances

The following non-compliances with the provisions of the following laws, rules, regulations and management decisions were observed in audit.

Reference to Provisions of the
Laws, Rules, Regulations and
Management Decisions.

Non-compliance

- (a) Declaration of Assets and Liabilities Act No.01 of 1975 as amended by Act No.74 of

Action had not been taken to hand over the statement on assets and liabilities in specific Form that should submitted annually by 09 officers of 02 institutions and

- | | |
|--|---|
| 1988 and Section 66(4) of the Cooperative Societies Enactment No. 03 of 2007. | Chairmen and all the committee members of 1156 registered Cooperative Societies to relevant authorities prior to the specific date. |
| (b) Circular No.CA/1/1/16/1 dated 09 July 2010 issued by the Presidential Secretariat. | A sum of Rs.7,141,300 had been spent in the year 2010 for 05 Hon. Ministers of the Sabaragamuwa Provincial Council, 30 Honourable Members of Provincial Council and 04 officers for trip to China and Thailand and a sum of Rs.1,432,000 had been spent in the year 2011 for three honourable Members and Chief Secretary for educational tour to Canada whereas a detailed report relating to foreign trips by the relevant officers had not been submitted to the authorities who approved the foreign trips. |
| (c) Public Expenditure Management Circular No.CA/1/17/1 dated 14 May 2010 of the presidential secretariat. | Although three vehicles could be released for the utilization of the Honourable Minister of Lands and Agriculture, contrary to circular, 04 vehicles had been released from 07 January 2011. |
| (d) Public Finance Circular No.PF/PE/9 dated 27 June 2000 | Although prior approval of the Treasury should have been obtained for investment of surplus funds, funds totalling Rs.20,705,000 comprising Rs.9,575,000 from Cooperative Funds, Rs.7,000,000 from Arbitrary Funds and Rs.4,130,000 from Cooperative Employees Pension Funds had been invested in the fixed deposits from long period without the relevant approval. |
| (e) Circular No.41/90 dated 10 October 1990 of the Secretary of the Ministry of Public Administration. | Although consumption of fuel should be tested once in 06 months, it was observed at the examination of log books of vehicle that such a test had not been carried out relating to 09 vehicles of 04 institutions. |

- (f) Circular No.2000/34 dated 20 June 2000 of the Ministry of the Education.
- Although it was shown that Teachers not possessing grades should not be appointed to the post of Principals on assignment basis or acting basis without obtaining prior approval of the Ministry of Education and the Ministry should not accept the responsibility for appointing persons appointed as such to the Sri Lanka Principals` Service, contrary to this 54 officers of the Sri Lanka Teachers Service had been appointed as acting Principals.
- (g) Paragraph No.11.5 of the Circular No. 2008/35 dated 01 September 2008 of the Ministry of Education under the topic of “Upliftment of Schools Programme”
- Although the maximum amount could be spent for supplies, works and services for a month on discretion of the Chairman of the School Development Committee without calling for quotation was Rs.20,000, contrary to this a Central College of Ratnapura District had made payments exceeding this limit by a total sum of Rs.1,121,646 during a period of 09 months from 01 January to 30 September 2011.
- (h) Circular No.CA/A2/01/2002 dated 30 July 2004 of the Director General of the Health Services
- Although it was pointed out that the income from canteens operated at the hospitals for the period before and after the date of issuing Circular should be credited to the Government revenue, income of Rs.2,149,200 had been lost from 2000 to 2011 due to not taking action accordingly by the hospital Mawanalla and an income of Rs.34,000 had been lost from the milk stalls from July 2009 to 2011.
- (i) Letter No.HM/E/05/06/01 dated 04 November 2010 of the Secretary of the Provincial Ministry of Health
- House rent amounting Rs.234,048 for the official quarters had been under recovered in the year 2011 from the persons occupying the official quarters of health belonging to the Division of the Deputy Provincial Director of Health Services, Kegalle.

(j) Code of Financial Rules of the
Sabaragamuwa Provincial
Council of the Democratic
Socialist Republic of Sri Lanka

i. Financial Rules 84, 85
and 177

Payment had been made for vouchers totalling Rs.6,595,138 relating to 03 accounts maintained at 03 schools in the Educational Zone, Ratnapura without making recommendation and approval of these, one school had made payments totalling Rs.64,943 even without certifying the vouchers.

ii. Financial Rules 261.2.2

Although the ad hoc sub imprest should be settled immediately after the completion of activity and sub imprest should not be issued again to an officer until the settlement of sub imprest obtained by him previously, contrary to this, settlement of advances totalling Rs.4,209,333 given to 07 institutions in 112 instances had been delayed for period ranging from 01 month to 02 years and also two sums of Rs.28,600 and Rs.54,100 had been paid though the advances obtained previously in 02

instances had not been settled. Advances totalling Rs.304,507 had been paid in 21 instances on the basis of overestimation from 11 per cent to 100 per cent and of this, a sum of Rs.225,306 had been settled after remaining by hand from 03 days to 83 days.

iii. Financial Rules 546.1
and 553.1

five institutions of the Provincial Council had not obtained security deposits as specified, from 35 officers who should furnished security in terms of Security Ordinance.

- iv. Financial Rules 560 and 561
- Although all the assets belonging to the Provincial Council or assets under the custody of the Provincial Council should be brought to the Register of Assets and a register should be maintained for investments in terms of Appendix II (f), two institutions had not maintained Register of Investments for short term investments totalling Rs.1,147,081,963 remaining as at 31 December 2011 while 03 institutions had not maintained Register of Fixed Assets.
- (k) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- i. Financial Regulations 104
- According to the Board of Survey carried out in September 2005 in respect of library books of a Maha Vidyalaya in Ratnapura district, 177 books valued at Rs.15,338 and 277 books for which the value was not indicated , were misplaced and any measures had not been taken to fix the responsibility to the persons responsible and recover the losses thereon.
- ii. Financial Regulations 138(6)
- Although the Certifying Officer should satisfy himself that the certificates which certifying the payments mentioned on the face of the voucher are attached to the voucher, it was revealed at the examination of payments for the year 2011 that the vouchers had not been prepared for the payments totalling Rs.1,331,500 had been made in 03 instances from the Funds of the School Development Society of a Maha Vidyalaya in the Ratnapura Zone without bills or other supporting documents.
- iii. Financial Regulations 225(1)
- Although vouchers prepared accurately and completely in the prescribed forms should be submitted for all the payments, it was revealed at the examination of payments for the year 2011 that the vouchers had not been prepared for the payments totalling Rs.1,491,000 made in 14 instances from the Funds of the School Development

Society of a Maha Vidyalaya in the Educational Zone, Ratnapura contrary to this.

iv. Financial Regulations

1645(a) and (b), 1646 and 1647 (e)

Running charts for 33 vehicles of 07 institutions had not been submitted for audit and a list of vehicles for 77 vehicles belonging to the Office of the Director of Health Service had not been prepared.

- (l) Establishments Code of the Democratic Socialist Republic of Sri Lanka
Section 7.1 of Chapter V and Section 2.3.2 of Chapter XXXII

A sum of Rs.101,404 had been paid for the period of termination of service of the Principal of a Central College in the Educational Zone, Nivithigala while a sum of Rs.29,101 had been paid as salaries for a period of no pay leave of 36 days. Accordingly, a total sum of Rs.130,505 to be recovered from the relevant officer had not been recovered.

- (m) Paragraph 22 of the Guidelines on Purchasing and Distribution of Quality Inputs and School Development Societies Circular No.1982/2 of the Ministry of Education.

(a) Action had not been taken in terms of Sections 6.5, 6.6 and 7.1 of the Circular No.HRD/PPM/2002/30 dated 04 December 2002 relating to purchasing and distribution of educational quality inputs. Although separate inventory registers and stock books should be maintained for distributing with proper approval in terms of Section 12.1 of the above mentioned Circular, purchases amounting to Rs.365,478 had not been included the stock books or in the register of consumable items.

(b) Selection of suppliers and making payments had been made on the discretion of Principal by keeping the School Purchasing Committee and Procurement Committee inactively when carrying out purchase of educational quality inputs totalling Rs.294,494 in 16 instances during the period from 01 January to 30

September 2011 by a Madya Maha Vidyalaya in the Educational Zone, Ratnapura and purchases amounting to Rs.237,263 through the funds of the School Development Society by a Maha Vidyalaya in this Zone during the year 2011.

- (n) Circular No.4/90 dated 28 July 1990 of the Department of Pension
- Action had not been taken to hand it over the sum of Rs.255,840 deposited for 12 underage children at the Office of the Deputy Director of Health, Kegalle to the account holders although the account holders had attained the ages from 21 years to 46 years at the time of audit inspection in January 2012.

2. Financial and Operating Review

According to the financial statements presented, there was a surplus of Rs.1,056,423,606 in the Provincial Fund for the year ended 31 December 2011 as compared with the corresponding surplus of Rs.448,266,250 for the preceding year.

2.1 Revenue and Expenditure

According to the financial statements presented, a summary relating to the revenue and expenditure for the year under review and the preceding year is shown below.

Revenue Relevant to Provincial Council Subjects	<u>Revenue</u>					
	<u>2011</u>			<u>2010</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Tax Revenue	1,509,252,000	1,943,637,444	434,385,444	1,560,660,000	1,381,762,380	178,897,620
Non Tax Revenue	314,748,000	416,079,145	101,331,145	279,340,000	359,662,986	80,322,986
Government Grant	13,217,723,417	11,694,547,000	1,523,176,416	12,446,225,900	10,559,240,000	1,886,985,900
Special Project	Not estimated	350,198,376	----	Not estimated	498,120,909	----
Others (Foreign Aid)	Not estimated	51,705,401	----	Not estimated	327,411,806	----
	15,041,723,417	14,456,167,366	2,058,893,005	14,286,225,900	13,126,198,081	2,146,206,506
	=====	=====	-----	=====	=====	=====

<u>Expenditure</u>						
<u>Recurrent</u>						
<u>Expenditure</u>						
Personnel	9,883,677,714	9,737,880,378	145,797,336	9,560,771,893	8,691,855,501	868,916,392
Emoluments						
Others	2,316,060,301	1,949,305,290	366,755,011	2,007,824,107	1,655,498,969	352,325,138
	-----	-----	-----	-----	-----	-----
Sub Total	12,199,738,015	11,687,185,668	512,552,347	11,568,596,000	10,347,354,470	1,221,241,530
Capital	2,841,985,402	1,712,558,092	1,129,427,310	2,717,629,900	2,330,577,362	387,052,538
Expenditure	-----	-----	-----	-----	-----	-----
Grand Total	15,041,723,417	13,399,743,760	1,641,979,657	14,286,225,900	12,677,931,832	1,608,294,068
	=====	=====	=====	=====	=====	=====

Total expenditure for the year under review amounted to Rs.13,399,743,760. Out of that, 87.2 per cent was recurrent expenditure and 12.8 per cent was capital expenditure.

2.2 Revenue Administration

- (a) Information relating to arrears of revenue at the end of each year during the last 03 years for which accounts presented, is shown below.

	<u>As at 31 December</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	Rs.	Rs.	Rs.
Tax Revenue	69,113,705	48,142,200	134,824,668
Non-tax Revenue	<u>1,524,855</u>	<u>8,134,043</u>	<u>8,408,951</u>
	<u>70,638,560</u>	<u>56,276,243</u>	<u>143,233,619</u>

- (b) Court fines amounting to Rs.35,632,894 received relating to 21 Local Authorities during the period from the year 2010 to year 2011 had not been remitted to the Local Authorities.
- (c) Lease rent amounting to Rs.5,313,480 as at 31 December 2011 for land and buildings leased out on long term lease basis by 02 Divisional Secretariats in the District of Kegalle had not been recovered whereas annual leases amounting to Rs.2,537,625 had remained outstanding as at 31 December 2011 from three small hydro electricity project implemented in the area of authority of the Divisional Secretariat, Aranayake and any lease amount had not been recovered from further 04 projects.

- (d) The annual lease that could be recovered in respect of plots of lands No. 330/331 in extent of 0.9048 hectares utilized for the Polgaswatta Water Scheme implemented at present in the Divisional Secretariat Division of Deraniyagala had been deprived due to not receiving deed of long term lease from February 2010 to February 2012.

2.3 Incurring Expenditure Exceeding the Approved Provisions

Contrary to the Financial Regulation No. 69 of the Republic of Sri Lanka and Provincial Rule 33 of the Sabaragamuwa Provincial Council, an expenditure totalling Rs.46,843,629 had been incurred exceeding the provisions fixed by the Provincial Council under Programs, Projects and Objects (Except 1001 - 1003- Personnel Emoluments) of 08 Ministries/ Departments without proper authority.

2.4 Non-compliance with Advance Accounts Limits

Contrary to the Financial Regulation No. 503 of the Republic of Sri Lanka and Provincial Rule 367 of the Provincial Council, the maximum limit of expenditure of 02 Items of Advance Account amounting to Rs. 313,870 and the maximum limit of debit balances of 01 Item amounting to Rs.581,705 had been exceeded, while there had been a short fall of minimum limit of receipts of 02 items amounting to Rs.3,202,504.

2.5 Working Losses

Working losses had been reported continuously for the last 03 years relating to a Commercial Advance Account. Action in terms of Financial Regulations No. 513 had not been taken to cover the working losses referred to above and the Management had not paid attention with regard to the economic and social justification on operating those Advance Accounts with incurring losses.

2.6 Human Resource Management

2.6.1 Approved and Actual Cadre

Information relating to approved and actual cadre of the Sabaragamuwa Provincial Council as at 31 December 2011 is shown below.

(a) <u>Ministries, Departments and Institutions of the Provincial Council</u>			
		<u>Approved</u>	<u>Actual</u>
	Staff Grades	1227	1075
	Subordinate Grades	5259	4488
	Minor Employees	3278	2442
	Others (Casual and Temporary)	34	365
		<u>Approved</u>	<u>Actual</u>
(b) <u>Staff of Schools</u>			
	Principals	1127	730
	Teachers	19216	18545
	Minor Employees	859	208
	Others (Casual / Temporary)	230	100

In this connection following observations are made.

- i. Although the maximum period of service in very popular school and the maximum period of service in popular schools had been limited up to 06 years and 08 years respectively in terms of the Teachers National Transfer Policy dated 13 December 2007, it was observed that 923 teachers of 129 schools in the Mawanella and Balangoda Zones had been existing in the service for a period from 14 years to 30 years.
- ii. Fifteen officers in the Management Service and Office Assistants Service had been engaged in the service at the Zonal Education Office, Dehiowita for more than 10 years to 18 years without taking action to transfer the service station.
- iii. There were shortage of 24 teachers and excess of 05 teachers in a Tamil Vidyalaya in the Nivithigala Educational Zone when compared the approved cadre with the actual cadre. Although the Principal had informed this matter to the Secretary of the Chief Ministry by his letters dated 06 August 2010 and 24 September 2010, necessary actions had not been carried out up to the month of November 2011. It was observed that the existence of a shortage of 24 teachers out of the total teachers requirement of 62 teachers in the school or shortage of 39 per cent of teachers had badly affected the quality of education of the students in the school.
- iv. According to the Clause 3.7 of the Transfer Scheme of the Sabaragamuwa Provincial Teachers Service and Principals' Service, if any teachers or principals who are excess in the school had been retained for any purposes without releasing them, the salaries paid to those Teachers/ Principals should be surcharged to the relevant authorities. However, contrary to this, 07 teachers in 04

schools in the Balangoda Zone were remained idle without assigning any duties and salaries aggregating Rs.1,985,460 had been paid to those teachers for the year 2010.

2.7 Assets Management

The following observations are made.

2.7.1 Idle and Underutilized Physical Recourses

It was observed at the sample test of audit that physical resources had remained idle or underutilized as analyzed below.

	<u>Nature of Assets</u>	<u>No. of Units/Quantity</u>	<u>Value(Rs.)</u>	<u>Period of Idling</u>
(a)	Buildings	05	Could not be computed	-
(b)	Vehicles	01	-do-	03 Years
(c)	Machineries	07	-do-	From 08 months to 06 years
(d)	Office Equipment	06	45,954	09 months
(e)	Others	43	12,462,321	From 03 months to 03 years

Special matters observed relating to management of assets are given below.

Although a sum of Rs.171,360 had been estimated in the year 2009 for repairing the photocopy machine kept insecurely at the Balangoda Zonal Education Office due to damage of its wires, repairs had not been carried out up to 23 May 2012 basis on not obtaining necessary provision and it had remained idle from 2009 to 23 May 2012.

2.7.2 Assets not Surveyed

- (a) The Boards of Survey in terms of Financial Regulations 756 had not been conducted for the year under review relating to 19 Provincial Ministries/ Departments. The Boards of Survey of 23 institutions under the Office of the Director of Health Services in the District of Kegalle had not been conducted after the year 2005 while the Boards of Survey of 18 institutions and 38 institutions had not been conducted for the years 2010 and 2011 respectively. Further, the recommendations pointed out in the reports of the Boards of Survey of 05 institutions had not been implemented.
- (b) Reports of the Boards of Survey of the Balangoda Zonal Education Office for the years 2009 and 2010 had not been submitted for audit up to 23 May 2012. Action had not been taken up to 23 May 2012 to conduct the annual Boards of Survey of 45 schools out of 136 schools in the Zone.

2.7.3 Non moving Current Assets

The value of assets remained immovable for more than 01 year as at 31 December 2011 amounted to Rs.2,512,067.

2.7.4 Unsettled Advances

The value of unsettled advances as at 31 December 2011 amounted to Rs. 90,776,931 while the total of balances that had exceeded 01 year amounted to Rs. 35,290,396.

2.7.5 Staff Loans Recoverable

The total of balances of staff loan advances recoverable as at 31 December 2011 amounted to Rs.151,229,645 while the total of accounts balances in arrears over 01 year amounted to Rs.55,448,709.

2.8 Utilization of Vehicles

A vehicle No. 31 SRI 2644 that was existed at the Office of the Deputy Director of Health Services, Kegalle in running condition and reported to the Director of Health Services on 13 October 2011 that small repairs to be carried out to this vehicle, had been condemned and listed as damaged vehicle as at 14 October 2011. Two new ambulances bearing numbers LW - 0129 and

WPC 2010/ 2011 received from the Ministry of Health in the month of October 2011 had been parked at the office premises without utilizing for operation up to January 2012.

2.9 Identified Losses and Damage

The following matters were observed.

- (a) According to sample test of audit and information maintained in the institution, losses and damages totalling Rs.5,268,641 were revealed during the year under review.
- (b) Purchase of construction materials and services had been made by the Principal on his discretion without considering the procurement procedure in carrying out construction activities of the playground in a Madya Maha Vidyalaya in the Educational Zone, Ratnapura through the School Development Society of the School under stage II of the Gama Neguma 2010. As a result, a sum of Rs.510,236 had been spent exceeding the funds Rs.350,950 received from the Divisional Secretariat, Kahawatte. Therefore, a contract loss of Rs.159,286 had been incurred to the School Development Society and School Upliftments Account.
- (c) Action had not been taken to recover a sum of Rs.4,812,643 provided as advances to the contractors in 07 instances during the year 2007 by the Ministry of Roads of the Sabaragamuwa Provincial Council within the Specified period prior to the expiry of the period of Bank Guarantee and as a result, the above amount had become a loss to the Funds of the Provincial Council.
- (d) According to the report of the annual Boards of Survey for the year 2011 conducted at the Base Hospital, Mawanella, shortages incurred to the goods and drugs at the Units such as drugs stores, surgical and general stores etc. amounted to Rs.296,712 while any action had not been taken in this regard.

2.10 Apparent Fraudulent Transactions

The following observations are made.

- (a) Although the construction of the Buddha Shrine at a Maha Vidyalaya in the Educational Zone, Ratnapura had been commenced in the year 2009, it had not been completed up to 20 October 2011. When enquired about the budget of this construction work, it was expressed that necessary funds and materials had been obtained by the principle through the Parents Committee. However,

it was unable to satisfy in audit that the funds collected by the Principal had not been utilized for his personal interest as the teachers and parents who gave evidence voluntarily to the audit had expressed that the Principal had obtained all the funds and materials and spent them and the Principal had obtained a sum of Rs.47,000 from teachers and parents representing only 16 families without issuing receipts and the works at the value equal to the value to be reasonably collected had not been completed.

- (b) Payments had been made from the Account of the School Development Society by the Principal of the Maha Vidyalaya in the Education Zone, Ratnapura by utilizing fake bills aggregating Rs.306,988 and showing that purchases aggregating Rs.259,002 had been made by filing fake documents stating that the Standard Government Procurement Procedure had been followed whereas according to the evidences it was confirmed in audit that the institution shown in the fake quotation were not actually existed and the institution which was stated in the bills submitted for a payment amounting to Rs.100,213 had not issued such a bill and those works had not been carried out and the relevant cheque or cash had not been received for that value. Evidence had not been submitted for disciplinary action taken against the relevant Principal.

2.11 Objectives not Achieved Adequately

Out of 314 square meters of insect resistance nets provided to the Agriculture Consultancy instructor, Dahamana, Balangoda for mushroom cultivation on 50 per cent subsidy basis, 260 square meters representing 83 per cent had been distributed to the farmers and the balance 54 square meters being 17 per cent had not been distributed to the farmers and retained at the office. Further, out of the nets distributed, 172.5 square meters representing 66 per cent had been subjected for physical sample check and of this, 88 per cent being 152.5 square meters had been retained by the farmers without utilizing them and only 12 per cent being 20 square meters had been utilized for the relevant activities. Accordingly, it was observed in audit that the projects are not successful as the follow up action taken after distributing the agriculture equipment was inadequate.

2.12 Irregular Transactions

The following observations are made.

- (a) It was revealed at the audit inspection carried out at the Dancing Training Centre, Panawela that sums of Rs.61,750, Rs.26,900 and Rs.96,500 had been overpaid without proper supervision for 171 hours for 25 resource persons without confirming the arrival and departure in the register, for

86 hours for 10 resource persons to whom no student had been participated and for 240 hours for 16 resource persons exceeding the maximum limit of 07 hours could be delivered lectures per day respectively.

- (b) A sum of Rs.765,687 had been paid to the contractors on 17 December 2010 for developing Mahawila Warakagoda Playground whereas it was observed at the physical inspection carried out relating to the above work by audit on 06 December 2011 that the works to be carried out under works of item No:06 for which a sum of Rs.154,692 had been paid, had not been carried out according to the proper standard, the constructed gate was at the risk of rusting as painting was not done to the gate and the bushes had grown in the playground and it become unusable condition even though one year had elapsed after completing the works as the ground was not prepared properly. However, the retention money amounting to Rs.86,032 had been released on 04 May 2011 based on the fake report of the Technical Officer. Further, the protection net to be constructed around the playground had not been included in the estimate prepared for this work.
- (c) The canteen situated at the premises of the Kegalle Zonal Education Office had been operated for several years violating the tender procedure and without entering into an agreement with the lessee. Deciding the rentals had also been made without the transparency. Although a sum of Rs.90,600 received as rentals of the canteen in 30 instances from the year 2004 up to 31 December 2010 should be accounted as Government revenue, action had not been taken accordingly.
- (d) The canteen at the Office of the Director of Health Services, Kegalle had been rented out without the tender procedure. Although a sum of Rs.64,350 received as rentals during the period from 1994 to 2012 should be credited to the Government revenue, it was revealed that it had been credited to the Employees Welfare Account.
- (e) Bidders had been selected among the tender security depositors for the year 2010 for washing dirty clothes of the Base Hospital, Mawanella without calling open tenders for the year 2011. Sums of Rs.34,922 and Rs.249,192 had to be overpaid for hospital wards and operation theater respectively for the last quarter of the year 2011 as the bidders had been selected under the higher bids due to not properly identifying specification in the selection of bidders for that year.
- (f) According to the daily receipts and payments prepared by the Funds of the Welfare Society operated at the Base Hospital, Embilipitiya as an unofficial society commencing in the year 1992 up to 05 October 2010 by making adjustment for daily receipts, payments and cash in hand and bank balance for the year 2010, a shortage of cash amounting to Rs.224,777 was observed.

2.13 Operating Inefficiencies

The following observations are made.

- (a) Although equipment amounting to Rs.101,877 had been purchased for the reading room of the Tamil Maha Vidyalaya, Kahawatte by utilizing the provision amounting to Rs.100,000 of the Chief Ministry of the Sabaragamuwa Provincial Council and the Funds of the School Development Society and entered in the Stock Register on 03 June 2011, a permanent place had not been allocated for reading room up to the date of audit on 15 November 2011 due to inadequacy of classrooms of the school and the relevant equipment had been kept in several classrooms of the school and remaining idle.
- (b) The stock book of bitumen had not been balanced by the Office of the Executive Engineer, Balangoda up to 11 August 2011 and the balance as at the date of final balancing on 12 July 2011 was 48 barrels of bitumen containing 180 liters. Fifteen barrels of bitumen had been issued in three instances after that date. Accordingly, the book balance should be 33 barrels. However, 51 barrels of bitumen containing 180 liters had been submitted for audit at the physical inspection carried out on the above mentioned date. Accordingly, an excess of 18 barrels of bitumen which were not included in the register, was observed. Out of 51 barrels of bitumen submitted for physical inspection, 10 barrels and 03 barrels had been kept at an official quarters residing a Technical Officer and a room which was closed by using padlock respectively and as a result, it was observed that proper supervision and internal control system had not been established within the institution relating to utilization of bitumen.
- (c) Although a Madya Maha Vidyalaya in the Ratnapura Educational Zone had leased out the canteen of the school for two years for a lease amount at the rate of Rs.1,300 per school day, sums aggregating Rs.173,620 to be received as the relevant rental income had not been recovered up to 23 November 2011 (Date of audit).
- (d) A sum of Rs.240,991 out of the provision made for the years 2008, 2009 and 2010 relating to quality inputs to a school in the Mawanella Educational Zone had been saved even up to December 2011 without incurring expenditure.

- (e) Although a period of 10 years had elapsed after closing 06 schools among 31 schools closed down in the Kegalle Educational Zone up to January 2012, action had not been taken to hand over the relevant properties to the Divisional Secretary. Action had not been taken up to the year 2012 to settle the buildings and land of the Kg/ Diyagama Junior School closed down in the year 1999. Further, action had not been taken to identify the buildings and lands relating to the Rural Hospitals and 06 Central Dispensaries under the purview of Office of the Deputy Director of Health Services and take over the ownership.
- (f) Although after issuing an adequate report in respect of duties for an officer who has extensive travelling to perform in the ordinary course of his duties, the Head of the Department is able to pay a fixed allowance in this regard in terms of Sub-section 12 of Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a sum of Rs.175,093 had been paid as the above commuted allowance to the Community Development Officers for the year 2011. However, supervision reports had not been prepared continuously for all the months for which examination carried out for various subject areas covering by duties assigned to the above officers and it was observed that only few reports had been submitted.
- (g) Sums aggregating Rs.1,200,000 had been obtained during the year 2010 through 24 local government institutions within the Sabaragamuwa Province at the rate of Rs.50,000 per institution for establishment of Library Service Board in view of properly maintaining library service in the Sabaragamuwa Province, achieving the readers requirement and some of the further special objectives. Action had not been taken to establish this Library Service Board although a period of 02 years had elapsed and as such the above deposit had remained idle.
- (h) Twenty four land deeds registered during the period from 14 May 2008 to March 2010 had been retained at the Divisional Secretariat, Ehaliyagoda without distributing to the relevant permit holders. Twenty three land Ranbima deeds had been retained at the Divisional Secretariat, Godakawela for a period of nearly 02 years without distributing to the relevant permit holders.
- (i) After identifying as inferior quality, 391,924 units of drugs had been condemned in 38 instances from the year 2003 up to April 2011 and a work plan for obtaining drugs again in this regard had not been identified and 60,804 units relating to 11 type of goods and drugs had been condemned during the period from the year 2003 up to end of the year 2011 due to expiration. Appropriate action had not been taken prior to expiration.

- (j) It was unable to satisfy in audit as the required procedure had not been followed relating to the distribution of a sum of Rs.750,000 to the relevant beneficiaries for construction of toilets at the Rakwana Dipdeen Estate, that was given in three stages in the year 2008 and there were contradictories in the signatures of the beneficiaries.
- (k) A sum of Rs.690,500 had been received by the office of Deputy Directors of Provincial Health Services, Kegalle in the year 2011 for the Programme for prevention of Tuberculosis and Programme for prevention of Dengue. A sum of Rs.313,473 had been returned without conducting the above programme completely.
- (l) A sum of Rs.2,274,237 had been spent by the Office of the Chief Secretary and Planning Unit of the Deputy Chief Secretary up to the month of December 2011 for preparing a strategic plan for the Sabaragamuwa Provincial Council from the year 2007 up to the year 2012. Although the draft strategic plan had been submitted to the Provincial Council on 18 October 2011, necessary action had not been taken up to 07 August 2012 to approve it and obtain its benefit to the Provincial Council.

2.14 Performance

2.14.1 Government Grants

Details of provisions received for Provincial Council Development Work Proposals and expenditure are shown below.

Source	Provision	Expenditure	Underutilization/ (Overutilization)
-----	-----	-----	-----
	Rs.	Rs.	Rs.
i. Criteria Based Grants	284,580,000	321,413,062	(36,833,062)
ii. Provincial Specific Development Grants	1,075,250,000	1,087,048,864	(11,798,864)
iii. Special Projects	350,198,376	193,870,823	156,327,553
iv. World Bank	51,705,401	110,225,343	(58,519,942)

2.14.2 Provincial Development Plan

During the year under review 4688 work proposals totalling Rs.2,050,659,995 under new works and continuation works had been approved under the Provincial Development Plan. According to the progress report of the Provincial Council, the progress of the work proposals is shown in the following table.

	New Works	Continuation Works	Total No. of Work Proposals
(a) Fully completed	2253	1132	3385
(b) Completed less than 50 per cent	348	13	361
(c) Completed more than 50 per cent	793	116	909
(d) Not commenced	27	6	33
(e) Under contentious/ questionable status	–	–	–
Total	<u>3421</u>	<u>1267</u>	<u>4688</u>

2.15 Contract Administration

2.15.1 Delays in Implementation of Projects/ Schemes

A long delay was observed in the implementation of the following Projects /Schemes.

Project/Scheme	Estimated Cost	Date of Commencement	Targeted date for completion	Expenditure incurred up to 31 December 2011	Reasons for the Delay
(a) R/Emb/, Madampe No.01Tamil Vidyalaya – Toilet Project	Rs. 118,388	2011.09.29	2012.01.27	Rs. --	Delay of the School Development Society

(b)	R/Emb/ Ratnaloka Maha vidyalaya – repairs of roof	725,238	2011.10.20	2012.01.20	--	Advised to stop the work due to errors in the estimate.
(c)	R/Emb/ Padalangala Vidyalaya – repairs of drainage system	1,049,896	2011.11.09	2012.02.09	--	Based on the advice given verbally by the Assistant Secretary (Development)
(d)	Construction of Batathota Bridge	13,025,000	2010.01.15	2011.12.31	7,299,923	Due to errors in the estimate.
(e)	Construction of Delgoda Elawella Bridge	14,000,000	2009.12.18	-	12,154,741	Heavy rain.
	● Works totalling Rs.608,066 relating to 08 completed works as at the end of the year from the provision of Rs.706,000 for the year 2010 under the Provincial Criteria based Development Plan had continued due to non receipt of imprest.					

2.15.2 Completely Abandoned Projects/Schemes

The following Projects/ Schemes had been completely abandoned without commencement.

Projects/ Schemes	Estimated Cost (Rs.)
(a) Construction of 03 toilets and 02 urinals of the R/ Pathakada Tamil Vidyalaya	865,000
(b) R/ Bala/ Waleboda Tamil Vidyalaya - Construction of 02 toilets and 01 urinal	237,498
(c) R/ Nivi/Gedagala Vidyalaya- Repairs of 60'x20' roof	805,841
(d) Kg/ Dehi/ Miyanawita Tamil Vidyalaya – Repairs of school building	1,470,000
(e) R/ Bala/ Mahawalathenna Vidyalaya – Construction of water tank	203,412
(f) R/ Bala/ Mahawalathenna Vidyalaya – Construction boundary net and entrance gate	738,214
(g) R/ Bala/ Mahawalathenna Vidyalaya – Construction of boundary wall	933,393

2.15.3 Constructions

Deficiencies observed at the field inspections relating to constructions works are given below.

- (a) An estimate of expenditure valued at Rs.7,265,000 for the year 2009 for construction works of the improvement of Morahela Amupitiya Road from 2.00 Km to 5.26 Km had been prepared and approved. The agreement was cancelled on 17 December 2010 and carrying out construction on direct labour basis had been approved by the Secretary of the Provincial Ministry of Roads as the progress of construction of the Company to which, construction works had been awarded after calling for quotation, was at weak level. It was informed by the Director (Roads) to complete the construction of works carried out on direct labour basis as at 31 December 2010. A shortage of Rs.81,768 was observed as at 10 August 2011 out of the construction materials purchased for this works up to 31 December 2010.
- (b) An agreement had been entered into on 20 October 2009 for a period of 2 ½ months for repairs of the Health Centre, Gavarenhena and the agreement value was Rs.552,310. A sum of Rs.475,573 had been paid up to 26 March 2010. An additional estimate for Rs.282,000 had been prepared and the works completed due to not preparing any plans for supply of water for this building and abandonment by the contractor during the work and a sum of Rs.235,693 had been paid in this regard. Accordingly, a sum of Rs.158,956 had to be paid additionally for works to be completed by Rs.552,310. However, action had not been taken up to 23 May 2012 to recover the losses incurred to the Government for violating the agreement due to not taking action to extend the period of the performance bond of the previous contractor.
- (c) Although an agreement had been entered into at the value of Rs.9,139,119 with a contractor on 10 February 2011 for the construction works of the Batathota bridge across the Kuruwita Kuru River, an insurance certificate had not been obtained for covering all the risks relating to the works while action had not been taken to obtain performance bond so as to cover the period of work. The progress of this work that was planned to complete on 15 September 2010 had been only 55 per cent although two years had elapsed as at the date of audit on 24 November 2011 after commencement of work. Although a sum of Rs.5,507,729 had been paid in this regard up to 06 December 2010, matters such as not putting “Dowels” to connect the right side and left side retaining walls to the rock, non utilization of metals at the size of 6”x9” into the concrete mixture in preparing concrete mixture to the main column bases had been revealed. It was observed that the outside finishing of the third column had not been done in a satisfactory level due to not preparing the shuttering in an appropriate manner and it had slightly reclined.

- (d) Although an agreement had been entered into at the value of Rs.4,610,040 with a contractor on 24 December 2010 for completing the additional works in the construction of Ella Oya bridge of 14 meters length and 4.8 meters width in the Mapalana Kaudawa Road, an insurance certificate had not been obtained up to the date of audit for covering all the risks and the works had been delayed by nearly one year. Further, defects and small holes were observed in the mixture utilized for the construction of wing walls. Physical inspection carried out by the audit on 02 December 2011 revealed the finishing of the concrete mixture utilized between the “stones at the edge” and the side plunk of the bridge was not in the satisfactory level.
- (e) The physical inspection carried out by the audit on 03 November 2011 on maintenance of Balawinna Pinnakanda Road revealed that there were defects everywhere on the road before elapse of four months after repairs to the road. The drainage on both sides had not been prepared at the specified deep and as such soil was filled on it and the flow of water was blocked. Further, high mounds of earth on both sides had not been excavated and removed. It was observed in audit that effectiveness of this road which was maintained by spending Rs.1,483,180, had been declined due to not taking action to identify the activities to be carried out compulsorily in carrying out the maintenance works.
- (f) Although sums aggregating Rs.12,976,400 had been paid at the end of the year under review for 10 works for construction and improvement of roads at the estimated value aggregating Rs.17,227,497 within the district of Ratnapura, it was unable to satisfy in audit on the durability of this road as the following deficiencies were observed in audit at the physical inspection of the above works and the insurance certificate to be obtained by the contractor as mentioned in the contract awarding document for 06 works had not been obtained.
- i. Not utilizing the metal, sand and cement at the specified standard.
 - ii. Utilizing 1/2” metal instead of 3/4” metal.
 - iii. Not leveling the surface of the road.
 - iv. Not spreading the bitumen at the specified quantity.
 - v. Appearing defects and pits in several places on the road within very short period due to the above reasons.

2.16 Internal Audit

Forty one per cent of the total number of Expenditure Heads of the Provincial Council had not been audited during the year under review by the Department of Internal Audit and it was observed that the audit plan had not been properly implemented as any audit had not been carried out during the year in respect of 60 institutions included in the Annual Audit Plan.

3. Systems and Controls

Deficiencies observed during the course of audit were informed to the Heads of Institutions and the Chief Secretary of the Sabaragamuwa Provincial Council from time to time. Special attention is drawn to the following areas of control.

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