

Uva Provincial Council -2011

1. Financial Statements

1.1 Presentation of Financial Statements

(a) Provincial Council Fund Account

The Provincial Council Fund Account for the year under review had been presented to audit on 29 March 2012.

(b) Other Accounts

The progress of presentation of other accounts of the Provincial Council for the year under review as at 31 March 2012 is given below.

		Relating to the year 2012			No. of Accounts not Presented Relating to Previous Years
		Total No of Accounts	No. of Accounts Presented	No. of Accounts not Presented	
		-----	-----	-----	-----
(i)	Appropriation Accounts	27	27	Nil	Nil
(ii)	Revenue Accounts	01	01	Nil	Nil
(iii)	Advances to Provincial Council Officers	28	24	04	14
(iv)	Commercial Advance Accounts	09	04	05	04
(v)	Fund Accounts	09	04	05	34
(vi)	Statute Accounts	03	Nil	03	28

1.2 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Uva Provincial Council for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

A cash flow statements along with the financial statements of the Uva Provincial Council Press had not been prepared and presented.

1.3.2 Accounting Deficiencies

The following observations are made.

- (a) Liabilities of the Ministries, Departments and 13 offices in the Provincial Council as at 31 December 2011, totaling Rs.4, 479,491 had not been disclosed in the liabilities form DGSA 9 in the Appropriation Accounts.
- (b) Action had not been taken to credit the balances totaling Rs.36,738,329 in the collection current accounts maintained in the name of Provincial Commissions of Revenue to the main current account belonging to the Uva Provincial Council Fund and such revenue had been omitted from the consolidated revenue account for the year under review and the financial statements.
- (c) The imprest amounting to Rs.22,000,000 returned to the Provincial Financial Management Department out of the imprest released to the Uva Provincial Chief Minister of Finance and Planning, Law and order Local Government, Education. Transport, Cultural Affairs, Land, Irrigation, Economic Promotion, Rural Infrastructure Development and Ministry of Construction for the year under review had not been disclosed in the imprest receipt and payment account.
- (d) The current account relating to the Social Welfare Fund shown under financial assets in the final financial statements of the Uva Province since number of years had been closed by the bank on 11 August 2011 and the balance of Rs.53,748 as at 31 December 2010 had been sent bank to the Department of Social Services. However, a balance of Rs.100,000 had been shown in the final financial statements of the Provincial Council as at 31 December 2011 as its balance.

- (e) Out of the sum of Rs.633, 100,557 paid to the Department of Pensions during the year 2011, a sum of Rs.296,182,934 had been paid out of funds received in the year 2011 and the balance of Rs.336,917,623 had been paid to settle the balance as at 01 January 2011. Accordingly, a sum of Rs.336, 917,622 had been paid for the settlement after being rectified the balance as at 01 January 2011 amounting to Rs.310,625,713. Accordingly, the overpaid amount to the Department of Pensions was Rs.26, 291,909.
- (f) Action had not been settle the following balances even by 31 December 2011. Seed Potato Accounts of Rs.42,501,491 in the Ministry of Agriculture, shown in the financial assets for a long period, disappearance of cash salaries amounting to Rs.1,035,989 in the Department of Agriculture as shown as fictitious assets, the cash fraud of Rs.595,000 incurred in the year 1990 at the Finance Division and the loan of Rs.4,300,000 received from the Director General of Health Services, shown as liabilities.
- (g) Eight debit balances totaling Rs.8,575,743 and 3 credit balances totaling Rs.1,115,681 of Provincial Public Officers Advance Accounts remained dormant for a long period, had not been settled even by 31 December 2011.
- (h) Action had not been taken to settle the un-settled debit balance of Rs.26,550,202 relating to 2 commercial advance accounts brought forward since 2007 even by 31 December 2011.
- (i) The loss of Rs.496, 605 incurred due to an accident caused to cab on 26 May 2011 belonging to the Ministry of Provincial Agriculture, Agrarian Development, Animal Products, Fresh Water Fisheries, Environment and Tourism had not been disclosed in the form D.G.S.A - 8.
- (j) Loan balances of 7 officers in the Provincial Education Department and 188 officers in 5 Zonal Education offices totaling Rs.8, 235,113 had not been disclosed in the Provincial Public Officers Advance Account of the Provincial Department of Education.
- (k) Loans totaling Rs.469, 500 which had been rejected to accept by 2 officers and 4 officers in the Badulla and Welimada Zonal Education offices respectively had been accounted as loans granted in the year under review.

- (l) Loan balances totaling of Rs.568,762 and Rs.67,650 of 23 officers in the Bandarawela Zonal Education office and 02 officers in the Welimada Zonal Education office which had been settled as at 31 December 2011 had been shown in the accounts still as unrecovered balances.
- (m) There were 9 overstatements totaling Rs.3,754,798 and 6 understatements totaling Rs.1,200,308 in the Okkampitiya Seeds Farm Advance Account.
- (n) Followings were observed at the Commercial Advance Account of Boralanda Animal Farm.
 - (i) Salaries amounting to Rs.2,835,447 had become Rs.2,570,798 as the expenditure summary thus over stating the salary expenditure by Rs.264,469.
 - (ii) Balance of animals as at 31 December 2011 amounting to Rs.2, 731,190 which should have been disclosed as a separate asset had been stated as a general stores item.
 - (iii) Increase in the animal balance during the year under review by Rs.26,100 (226 kg) had not been disclosed in the account.
 - (iv) A balance of animals valued at Rs.2, 756,450 and 27,564 kg in weight as at the end of the year 2010 had been shown as Rs.2, 756,450 and, 23,598 kg in weight as at 01 January 2011 and as a result, the stock balance was understated by 3,867 kg.
 - (v) A polythine house valued at Rs.211, 821 which was not in physically existence had been shown as an asset in the balance sheet.
 - (vi) The micro - water system valued at Rs.324, 290 which had been removed prior to the year 2006 and mentioned in the audit query No. UV/BD/C/2011/26 dated 29 July 2011 had not been written off from books.

- (vii) In the valuation of stock as at 31 December 2011, grass stick available at the Foam had not been valued. A separate manufacturing account had also not been prepared for grass planting.

- (o) Loan balances of officers who are in service, loan balances of officers who had gone on transfer and balances of officers who had come on transfer amounting to Rs.314,202, Rs.1,300 and Rs.310,913 respectively shown in the individual balances classification summary of the Department of Ayurveda were not in reconcile with such schedules attached to the accounts.

1.3.3 Unreconciled Control Accounts

The following observations are made.

- (a) Balances of loans and advances to Provincial Public Officers Account shown in the Financial Statements of the Uva provincial council as at 31 December 2011 and the corresponding total balances as at that date shown in the control account summary report relating to advance accounts shown in Note ii of the appropriation accounts of individual Ministries / Departments / 8 Offices and the deposit accounts had differed by Rs.7, 995,655.

- (b) Balances of 09 loans and advances to Provincial Public Officers Accounts shown in the books of financial Management Department as at 31 December 2011 and the corresponding total balances as at that date shown in the control account summary report relating to advance account shown in Note ii of the appropriation accounts of individual Ministries / Departments / Offices and the deposit accounts had differed by Rs.6, 173,541.

- (c) The total unsettled imprest balances shown in the financial statements of the Uva Provincial Council as at 31 December 2011 and the corresponding 11 debit balances and 5 credit balances included in the Note (iii) imprest account summary report along with the appropriation account submitted by each Ministries / Departments / Offices had differed by Rs.55,412,522 and Rs.1,170,861 respectively.

- (d) The balances of the provincial public officers advance control account of the Provincial Department of Education as at 31 December 2011 amounted to Rs.301, 540,397 whereas the total of the individual register amounted to Rs.304, 982,452.

1.3.4 Non – reconciliations

The following observations are made.

- (a) As the balances of general deposit account of the Deputy Chief Secretariat (Engineering) had not been reconciled with the books of the Financial Management Department in terms of F.R. 427, there was a difference of Rs.8,383,617 between the opening balance and the closing balance as per the Department`s books and the corresponding balances shown in the financial statements of the Provincial Council.
- (b) The closing balance of the general deposit account in the Provincial Road Development Department as at 31 December 2011 amounted to Rs.28,939,664 whereas the balance as per the books of Financial Management Department of the Provincial Council amounted to Rs.77,274,714 thus showing a difference of Rs.48,335,050.

1.3.5 Bank Reconciliation

The following observations are made.

- (a) The current account with a balance of Rs.42, 702 operated by the Uva Provincial Passenger Transport Authority in a State Bank had become idle for more than 4 years.

- (b) Follow up action had not been taken in respect of 206 cheques totaling Rs.40,962,149 deposited in 14 bank accounts but unrealized for more than 6 months.
- (c) Action in terms of F.R. 396(d) had not been taken in respect of 690 cheques totaling Rs.6, 446,807 issued from 17 bank accounts but not presented for payments for more than 6 months.
- (d) There were unidentified debits relating to 7 bank accounts and credits relating to 06 bank accounts amounted to Rs.2, 228,122 and Rs.4,105,591 respectively.

1.3.6 Imprest Accounts

The following observations are made.

- (a) There were 35 unsettled imprest debit balances relating to 25 Heads totaling Rs.167, 575,066 and 12 credit balances relating to 8 Heads totaling Rs.9,711,072 as at 31 December 2011.
- (b) The balance of imprest account according to the financial statements of the Uva provincial Council as at 31 December 2011 amounting to Rs.4,349,991 had been shown under Note (ii) of the report of the imprest account submitted along with the appropriation account of the Department of Co-operative Development as Zero value.

1.3.7 General Deposit Accounts

The following observations are made.

- (a) Four hundred and fifty four deposit balances in 17 offices remained for more than 2 years for which action should have been taken in terms of Financial Regulation 571 but not done so totaled Rs.48, 699,778.

- (b) A sum of Rs.1, 000,000 had been given by the Ministry of Local Government and Provincial Councils for the installation of a loud speaker system for the implementation of new trilingual policy in the lobby of the Uva Provincial Secretariat. This programme had not been implemented and as such this money had been remained idle in the general deposit account even up to 27 April 2012.

- (c) A sum of Rs.4, 508,739 out of Rs.14, 005,961 received from the Chief Secretary in the year 2011 for the continuation work of 2009, souvenir income of Rs.37,500 received for the youth dancing group “ Kalaeli Mangallaya ” had remained in the General Deposit Account of the Ministry of Uva Provincial Chief Minister Finance and Planning. Law and order, Local Government, Education, Transport, Cultural Affairs, Land, Irrigation, Economic Promotion, Rural Infrastructure facility development and construction even by 31 December 2011.

- (d) Bursaries totaling Rs.725,000 given to the Bibile Zonal Education office had remained in the general deposit account for the period 1 to 3 years without being distributed to the beneficial students.

1.3.8 Lack of evidence for Audit

The following observations are made.

- (a) Unreplied Audit Queries

Replies to 22 audit queries had not been sent even by 31 December 2011 and the quantitative value of those transactions was amounted to Rs.168, 064,289.

(b) Non- rendition of Information to Audit

Due to non- rendition of required documents for audit, 442 transactions totaling Rs.56, 545,090 could not be satisfactorily vouched in audit.

1.3.9 Non Compliance

The following observations are made.

Reference to Laws, Rules and Regulations

Non-compliance

(i) Statuary Provisions

Employees Provident Fund Act No.
15 of 1958

Employees' contribution of 8% amounting to Rs.29, 244 had not been recovered from the salaries of 3 officers who are in service in the Uva Provincial Library Service Board on temporary basis from January 2010 to September 2011. The total EPF contribution of Rs.73,110 including the 12 per cent employers contribution amounting to Rs.43,866 had not been remitted to the Employees Provident Fund.

Employees Trust Fund Act No. 46 of
1980

Three per cent Employees Trust Fund contribution of Rs.10,966 of 3 officers who are in service in the Uva Provincial Library Service Board on temporary basis from January 2010 to September 2011 had not been paid to the Fund.

Section 33(1) of the Agrarian
Development Act No. 46 of 2000

The tenure of Magulliyadda land 1.0118 hectares in extent stated as Lot No. "A" in the Survey General's Sub plan No. B/BDL/2209/174 dated 15 June 2010 had been handed over to the B/ Viharamahadevi Balika vidyalaya by the Badulla Divisional Secretary

from the Extra Ordinary Gazette notification dated 14 February 2011 in terms of Sub section 38(a) of the Land Acquisition Act No. 09 of 1950. The value of this land had not been obtained from the Chief Valuer. The written approval of the Commissioner General of Agrarian Development had also not been obtained in terms of Section 323(1) of the Agrarian Development Act No. 46 of 2000.

By laws enacted under Sub-section (viii) of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987

Approval of the Welimada Pradeshiya Sabha had not been obtained for the building plan of the Ohiya Field Training Centre construction work in conformity with the provision stated in the part 8 of bylaws published in the Extra Ordinary Gazette No. 520/7 dated 23 August 1988.

Chapter (vi) of Motor Vehicles Ordinance No. 14 of 1951

The registration certificates and the insurance cover for an excavator and a baco pushed to the District Mechanical office on 18 February 2011 had not been obtained.

Sub-section 10(vi) of the Uva Province Education Statute

M/Meedeniya primary school belonging to the Wellawaya Zonal Education office had been closed since 01 November 2010 without obtaining the instructions of the Education Advisory Board.

(ii) Establishments Code: Section 3.5 of Chapter XXIV

Distress loans totaling Rs.1,061,612 in excess of 40 per cent abatement limit had been granted to 25 officers by Ministries / Department / 7 offices of the Provincial Council.

(iii) Financial Regulations

Financial Regulation 65(4)(1) and
Financial Rule 65(4)(1) of the Uva
Provincial Council

Out of the total net recurrent provision provided under expenditure item No. 736-8-3-1905 (others), a classification of expenditure, which could be incurred out of Rs.174,086,000 or 93.18 per cent of the above provision had not been presented in the annual cash statement. Out of the provision made under that expenditure item, a sum of Rs.3,284,800 for the Provincial Secretariat under Head 701, Rs.3,684,500 for the Sports Ministry under Head 750 totaling Rs.6,661,000 had been given to incur the recurrent expenditure of those expenditure Heads.

511.1

Provision for the settlement of working losses of Rs.2,217,738 in the Uva Province Printing Press Advance Account, Rs.119,583 in the Artistic Textile Industries Advance Account and Rs.1,955,059 in the Textile Industry Advance Account; had not been made.

880

Security deposits from the officers attached to the Uva Province Library Services Board and from 2 officers in the Bible Zonal Education office who had to keep security deposits had not been obtained.

(iv) Public Administration Circulars:
Public Administration Circular No.
1996/08 dated 15 March 1996.

Without obtaining surety bonds, distress loans amounting to Rs.328, 800 had been paid to 2 officers in the Provincial Revenue Department whose service was less than 10 years.

(v) Other Circulars:
Paragraph 2.2 of Circular No.
01/2007 dated 04 January 2007 of the

Contribution totaling Rs.19,934,603 recovered from provincial public officers during the

Director General of Pensions and the Director of Widows and Orphans Pension.

years 2005 and 2006 by the Wellawaya Zonal Education Office and contributory pensions totaling Rs.866,055 recovered from 2004 to 2007 by the Bandarawela Zonal Education Office, Rs.20,800,658 in total had not been remitted to the Department of Widows and Orphans Pension and retained in the General Deposit account even by 31 December 2011.

Letter No. DMS/C/01/PAHA/15 of 05 March 2008 of the Director General of Management Services

In making holiday pay for the re-employed retired officers, it should be calculated on the basis of their initial salary in terms of Public Administration Circular No. 9/2007. Nevertheless, holiday pay for 75 holidays totaling Rs.60,496 had been paid to the Commissioner of Co-operatives without following that basis.

Paragraph 7 of the Internal Circular No. 2/2008 of the Uva Provincial Chief Secretary

Mileage run and fuel consumption of 2 vehicles had not been inspected by the Department.

Letter No. 9/ස/4 dated 12 September of Chief Ministry's Accountant

In reserving the Auditorium of Uva Province Library Service Board, 50 per cent advance of Rs.23, 000 had not been recovered in 2 instances.

Letter No. 10/4/1 dated 07 April 2009 and 08 July 2009 of the Chief Secretary of the Uva Province

In carrying out the field inspection at the premises of Ohiya field Training Center construction site it was observed that a training centre for officers was being constructed contrary to the recommendation made that this premises is more suitable to construct a Circuit Bungalow.

(vi) Circulars of the Ministry of Education

(a) Circular No. 200/36(1) dated 21

Telephone bills of 2 Provincial Council schools

April 2004 of the Ministry of Education in the Wellawaya Education Zone amounting to Rs.40, 966 had been paid by the Wellawaya Zonal office.

(b) It was observed at an audit test check that important provisions stated in the Circular No. 1982/2 dated 30 March 1982, No. 4/06/2013 dated 08 October 1985, No.2001/24 dated 08 October 2001 and No.35/2008 dated 15 September 2008 issued by the Ministry of Education in respect of operation of School Development Societies had not been complied with by 2 schools in Badulla District. Certain non-compliances are given below.

- Non-holding School Development Society meetings
- Non-maintenance of receipt books and members` registers
- Non-appointment of officers for the audit of annual accounts
- Non-preparation of annual budgets
- Improper withdrawals of cash from accounts
- Receipt of money in enrolling new students

(vii) Non-compliance with tax Requirement

The following observations are made.

- (a) Even though Pay As You Earn tax amounting to Rs.42,856 had been recovered from an officer in the Ministry of Provincial Agriculture, Agrarian Development, Animal Products, Fresh Water Fisheries, Environment and Tourism and Rs.88,188 recovered from an officer in the Ministry of Provincial Road Development, Housing, Water Supply, Consumer Affairs and Co-operative, Food Supply and Distribution those had not been remitted to the Commissioner General of Inland Revenue.
- (b) Out of the Value Added Tax amounting to Rs.911, 554 paid to the Ceylon Electricity Board in making payment of Rs.6, 077,029 in respect of the supply of centralized air

condition system for the Intensive Care Unit of the Diyathalawa Basic Hospital, a sum of Rs.303, 851 had not been recovered and remitted to the Commissioner General of Inland Revenue in terms of Section 26 “a” of the Value Added Tax amendment Act No. 14 of 2007.

- (c) Stamp duty on liquor licenses issued since 2008 and the arrears of stamp duty which had not been so collected when issuing licenses in the year 2011 amounting to Rs.1, 100,000 by the Haliela Divisional Secretariat and a sum Rs.1,840,00 by the Bandarawela Divisional Secretariat had not been recovered in terms of Paragraph 1 of the Circular No.SD/INF/2010/03 dated 30 September 2010 of the Commissioner General of Inland Revenue on the recovery of stamp duty.
- (d) According to the Circular No. Land 96/09 dated 01 August 1996 issued by the Land Commissioner`s Department, fines and penalties recoverable from 7 persons amounting to Rs.3,062 had not been recovered by the Passara Divisional Secretariat.
- (e) Out of the foreign funds received under World Bank grants a sum of Rs.293, 574 had been utilized for the payment of income tax and Value Added Tax by the Department of Health Services.
- (f) Out of the provisions received for the Education Sector Development Project a sum of Rs.3, 131,936 as Value Added Tax in 16 instances and a sum of Rs.100, 827 as Withholding Tax in 7 instances had been paid.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the deficit of the Provincial Council Fund for the year ended 31 December 2011 amounted to Rs.8, 289,893,535 as compared with the deficit of Rs.7, 966,721,900 for the preceding year. Accordingly, the deficit for the year ended 31 December 2011 had increased by Rs.323, 171,635 as compared with the preceding year.

2.2 Income and Expenditure

According to the financial statements presented, the budgeted and actual income and expenditure and variances are summarized below.

Income

	<u>Budgeted</u>	<u>2011</u> <u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2010</u> <u>Actual</u>	<u>Variance</u>
	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Income Relating to Provincial Council Items						

Tax Income	837,326,000	1,503,998,803	676,672,803	885,925,000	888,455,480	2,530,480
Non-tax Income	408,674,000	303,608,456	(105,065,544)	204,075,000	225,031,695	20,956,695
Government Grants	10,347,000,000	10,404,988,682	57,988,682	9,032,235,000	8,300,000,000	(732,235,000)
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	11,583,000,000	12,212,595,941	629,595,941	10,122,235,000	9,413,487,175	(708,747,825)
	=====	=====	=====	=====	=====	=====

Expenditure

	<u>Budgeted</u>	<u>2011</u> <u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2010</u> <u>Actual</u>	<u>Variance</u>
	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Recurrent Expenditure						

Personal Emoluments	8,380,903,944	8,271,032,237	109,871,707	7,701,088,542	7,619,882,677	8,205,865
Others	2,462,730,607	1,826,468,557	636,262,050	2,556,949,000	1,460,326,399	1,006,622,601
Sub-total	10,843,634,551	10,097,500,794	746,133,757	10,258,037,452	9,080,209,076	1,177,828,466
Capital Expenditure	3,627,634,865	1,613,713,379	2,013,921,486	4,815,615,000	2,175,338,519	2,640,276,481
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	14,471,209,416	11,711,214,173	2,760,055,243	15,073,652,542	11,255,547,595	3,818,104,947
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The total expenditure for the year under review amounted to Rs.11,711,214,173 out of which 86.2 per cent and 13.8 per cent represented recurrent expenditure and capital expenditure respectively.

2.3 Revenue Administration

The following observations are made.

- (a) Reason for the surplus or deficit of income between the estimated revenue and actual revenue had not been explained in terms of Order No. 151.1 of the Uva Province Financial Rules.
- (b) As there was a favorable variance of Rs.571,607,620 between the estimated tax income and non- tax income stated in the cash statement for the year 2011 and the actual tax income and non- tax income, the information used for the preparation of revenue estimates could not be satisfied as sufficient, reliable, updated and most correct.
- (c) Variance ranged from 53 to 1,424 per cent between the estimated revenue and the actual collected revenue in 18 revenue Heads of the Uva Provincial Council in the year under review.
- (d) There were variances ranging from 66 to 819 per cent between the estimated revenue and the actually collected revenue in the year under review in 13 Ministries and Developments of the Uva Provincial Council.

2.4 Management of Provisions

The following observations are made.

- (a) The entire provision of Rs.7, 666,000 made under 96 expenditure items in 20 Heads of Ministries and Departments had been saved.
- (b) An additional provision of Rs.330, 000 requested by the Uva Province Co-operative Employees Commission for 03 expenditure items under Head No. 703 had been saved, without being utilized.

- (c) Qualitative input money amounting to Rs.14,449,514 in the 123 schools in Bandarwela Education Zone as at 31 December 2010 and Rs.20,193,636 in the 84 schools in Wellawaya Education Zone as at 31 December 2011 had been saved without being spent.
- (d) Out of a sum of Rs.1, 565,859 received on 29 November 2011 from the Deputy Chief Secretary (Engineering Services) for the repair of old motor vehicles, a sum of Rs.1, 105,286 had been returned without being spent. It indicates that the intended purpose had not been achieved as specified.
- (e) Liabilities in excess of the provisions in 10 Ministries and Department Heads under 45 expenditure items totaling Rs.29,561,197 had been committed, contrary to Financial Regulation 94(1).

2.5 Incurring Expenditure in Excess of Approved Provisions

In contrary to Financial Regulation 69 of the Democratic Socialist Republic of Sri Lanka and Uva Province Financial Rule 32, a sum of Rs.2,927,520 had been spent for 17 expenditure items by the Ministry of Youth Affairs, Sports Social Welfare, Estate Infrastructure Facilities Development, Power and Energy, Textile and small Industries.

2.6 Non-compliance with Advance Account Limits

In contrary to the Financial regulation 503 of the Democratic Socialist Republic of Sri Lanka and the Uva Province Financial Rule 369, the maximum expenditure limit in 06 Advance Account items and the maximum limit of debit balance in 11 items had been exceeded by Rs.17, 221,798 and Rs.10, 357,250 respectively whereas the minimum limit of receipts in 4 items had been decreased by Rs.13, 319,069.

2.7 Working Losses

 Working losses had been continuously reported in 3 Commercial Advance Accounts for the last 3 years. Action had not been taken to cover up the above Working Losses, in terms of Financial Regulation 513 and attention had not been paid by the Management on Economic and Social Justification by operating advance accounts with losses.

2.8 Human Resources Management

2.8.1 Approved and Actual Cadre

Information regarding the approved cadre and the actual cadre of the Uva provincial council as at 31 December 2013 is given below.

- (a) Ministries / departments / institutions of the Provincial Council except school cadre.

Staff category	Approved Cadre	Actual Cadre	No. of vacancies	Excess Cadre
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Senior Level	798	743	55	-
Tertiary Level	1,396	1,036	360	-
Secondary Level	19,619	19,979	-	360
Primary Level	3,441	3,875	-	434
Others (Casual, Temporary)	14	1,491	-	1,477

- (b) School Cadre
-

	Approved Cadre	Actual Cadre	No. of vacancies
	-----	-----	-----
Principals	1,011	407	604
Teachers	16,320	15,904	416
Junior Employees	1,250	1,224	26

2.8.2 Attachment of Staff

The following observations are made.

- (a) In contravention of the Paragraph 02 of the President Secretary`s Circular No. CSA/6/6/10/5 dated 10 October 2011 addressed to all Provincial Council Governors on re-employment of retired Public Officers and Paragraph 177 of the Gazette Notification Extra Ordinary No. 1589/30 dated 20 February 2009 of the Public Service Commission on procedural rules :
- (i) A retired Grade I officer in the Sri Lanka Accountants Service had been employed to cover the duties of accountant posts in 4 institutions for a period of 01 year up to 31 December 2012.
- (ii) A retired Grade I officer in the Sri Lanka Administrative Service had been employed to fulfill the duties of Governor`s Secretary for a period of 01 year from 10 June 2011 to 09 June 2012 on contract basis and he had also been employed to act as the post of Director in the Uva Management Training Centre from 10 June 2011.
- (b) No any action whatsoever had been taken in respect of an employee in the Okkampitiya seed Farm who had gone on no pay leave continuously for more than 5 years period from 2007 to 30 June 2012.

2.8.3 Human Resources Improperly Released to other Parties

The following observations are made.

- (a) A school labourer and 2 school library employees who had been recruited to the 3 schools attached to the Bibile Zone from 01 July 2010 had been attached to the Uva Province Chief Minister`s office in the same month and their salaries and allowances totaling Rs.879,260 had been paid from the date of appointment to November 2011 by the Provincial Department of Education.
- (b) A library employee in the M/ Kudaoya Vidyalaya and another library employee in the M/W Hambangamuwa Maha Vidyalaya had been attached to the media unit of the Uva Province Chief Minister since 03 October 2011 and to the Uva Provincial

Ministers office since 05 August 2010 respectively. Despite they have not served in the relevant schools or Zonal Office from the date of attachment to November 2011, salaries and allowances totaling Rs.298,962 had been paid by the Zonal Office.

- (c) An officer in the Grade - 11 principal who was in the M/ Godigamuwa Maha Vidyalaya had been attached to the Bibile Zonal Education office on 03 June 2010 and since then he had not been assigned any duties up to October 2011 but a sum of Rs.559,087 had been paid as his salaries and wages. When he was attached to the Zonal Education Office, he had not handed over any articles and inventory items to the school held under his custody.

2.8.4 Non-compliance with Recruitment Procedure

The following observations are made.

- (a) In terms of Provincial Council Financial Rule 71.1, the prior approval of the Chief Secretary should be obtained for the creation of posts, determination of salaries scales, wages and allowances. Without obtaining such approval, the Uva Provincial Passenger Transport Authority had recruited 108 permanent employees, 14 contract basis employees and 04 daily paid employees by 11 January 2012. There were no approved cadre, approved scheme of recruitment or approved salary scales for their recruitments.
- (b) Contrary to Paragraph 7(6) of part I of the Uva Province Passenger Transport Statue a non-member of the Board of Directors had been appointed as the Chairman of the Passenger Transport Authority since September 2011.
- (c) Without getting the approval for a proper scheme of recruitment for the Uva Province Library Service Board, 3 officers and 4 employees from the Education Department and Badulla Municipal Council had been attached and 2 officers and 10 employees had been recruited on fulltime basis.

- (d) Without filing the Librarian post all duties of that post had been assigned to the employees who had been recruited on contract basis as mentioned above.
- (e) All teaching duties and other activities of the 4 computer courses conducted under the concept of “Danume Sariyen noseli diriyeen” by charging fees established in the Computer Library of the Uva Province Library Service Board under the supervision of the Uva Provincial Ministry of Education had been assigned to a temporary officer who had been recruited on contract basis. The educational and professional qualification of that post had not been determined and as such the quality of this course was not established.
- (f) Even though the officer in charge of the Uva fake art centre had retired 6 months ago at the time of audit, an officer had not been recruited to that post. The retired officer had not taken action to handover the musical, dancing and other equipment and key`s of the centre held under his custody to a responsible officer even by the date of audit on 29 February 2012.
- (g) A teacher who was in the service at M/ Karagahawela school for more than 22 years and got the appointment on 14 August 1989 did not have a personal file. He had been paid a basic salary as low as Rs.2,840 per month up to October 2011 without any salary increments or any salary conversion in terms of circulars.
- (h) Educational results of 55 teachers who had been recruited from 05 October 1972 to 24 May 2011 in the Bibile Education Zone had not been confirmed even by November 2011.
- (i) Twenty one employees in the Bibile Education Zone were being in service in the posts of Relief watcher, Relief Labourer, School Library Assistant and Cook, without a formal letter of appointment during the period from 1996 to 01 January 2009.
- (j) GCE (O/L) examination results submitted by a teacher who had got a music Diploma appointment on 04 February 2004 had not been in agreement with the

records of the Department of Examination. However salaries totaling Rs.80,897 had been paid to him for the period from 04 February 2004 to 12 September 2005 by the Bibile Zonal Education office. The personal file of the teacher, who was in service in the Kosgolla Vidyalaya at Badulla Education Zone after 12 September 2005, was available in the Bibile zonal office even by November 2011.

- (k) Action had not been taken to enter into the Widowers and Orphans Pensions Fund a female teacher who had been recruited to the teachers service in the Bibile zone on 02 December 1984.
- (l) Ten officers in the Principals Service and the Teachers Service had been recruited on acting basis to act in the Assistant Director of Education posts in charge of subjects in the Wellwaya Zonal Education office. The acting period of one officer had been 18 years whereas the acting appointment period of 09 other officers ranged from 04 to 11 years.
- (m) Ninety four teachers in the Wellwaya Zonal Education office who had exceeded the probation periods and whose service periods ranged from 04 to 36 years and 96 officers and 113 employees served in the Bandarawela Education Zone had not been confirmed in their service even up to the date of audit.

2.8.5 Teachers and Officers who Serve in one Place for a Long Period

The following observations are made.

- (a) Number of teachers who served in the B/ Viharamahadevi Balika Vidyalaya for more than 8 years by September 2011 amounted to 15.

- (b) Principals in 23 schools at Bibile Education Zone had been in service for the period ranging from 08 to 19 years in the same school.
- (c) Officers who were in continuous service in the same school belonging to the Wellawaya Zonal Education Office and the Zonal Officers for the period ranging from 08 to 10 years. 10 to 20 years and more than 20 years amounted to 04, 29 and 09 respectively.
- (e) Contrary to the annual transfer policy, officers who served for more than 10 years and 6 to 10 years in the Bandarawela Zonal office by 11 November 2011 amounted to 05 and 07 officers respectively.

2.9 Assets Management

2.9.1 Idle and Under Utilized Physical Assets

A test check observed that the following physical assets had been idle or under utilized.

Nature of Asset	No/ Type / Quality	Value	Period of Idle
		Rs.	
Motor Vehicles	02	Not made available	01 year
	03	- do -	05 years
	01	- do -	15 years
Office equipments	01	- do -	01 years
	04	- do -	02 years
	02	- do -	04 years
Others	3,322	2,407,210	
		2,407,210	

2.9.2 Unrecorded Assets

Fifty eight units of assets valued at Rs.2, 291,297 in a Ministry / Department and 3 officers of the Provincial Council had not been entered in the inventory books or stock books in terms of Financial Regulation and Provincial Financial Rule 751.1.

2.9.3 Assets not Stated in the Statement of Non-current Assets

Nine hundred and eighty five units of assets totaling Rs.26,684,746 in the Ministry / Department / 10 officers had not been disclosed in the Note presented with the Appropriation Account.

2.9.4 Institutions in which Board of Survey had not been Conducted

Board of survey had not been carried out in Ministry / Department / 06 offices and 153 schools of the Provincial Council for the year 2011 in terms of Financial Regulation 756 and 757.

2.9.5 Weaknesses in the Stores Management

The following observations are made.

- (a) Sports goods valued at Rs.1, 531,298 purchased in years 2010 and 2011 by the Ministry of Youth Affairs. Sports, Social welfare, Estate Infrastructure Development, Power and Energy, Textile and Small Industries to be distributed among the registered sports societies and 459 sports goods the value of which could not be computed had not been distributed among the beneficiaries even up to the date of audit on 23 April 2012.
- (b) There was a shortage of 162 units of 17 types of stores items and an excess of 151 units of 11 types of articles between the balance of the inventory registers and the physical balance at Kinigama Stores as at 08 February 2012.
- (c) There was a shortage of 1,633 units of articles belonging to 19 types and an excess of 206 units belonging to 14 types of articles as at 08 February 2012 between the stock book balance and the physical balance at Bandarawela Zonal Education office.
- (d) Action had not been taken in terms of Public Finance Circular No. 438 dated 13 November 2009 in respect of 18 articles and equipment which had been disposed from use by the office of the Deputy Director of Agriculture at Monaragala.

- (e) Assets valued at Rs.25, 525 auctioned in the year 2011 on the commendation of the Board of Survey by the Department of Commissioner of Income had not been adjusted to the non-current assets movement report.
- (f) A motor vehicle which had been used by the former Chairman of the Uva Province Passenger Transport Authority had not been handed over when he left the office in August 2011.
- (g) At the verification of stock and inventory items belonging to the Uva Province Library Service Board on 07 October 2011 shortages of 20 plastic chairs, 01 canon type Booster and 3 tent cloths of 10 x 15 feet were observed.
- (h) At the physical verification carried out on 29 February 2012 at the Uva Province fake art centre, shortages of one set of Kandian ves dancing cloth, a set of Kandian drummers cloth, one brass horn and excess of one large drum, double drums and one bummadi were observed.
- (i) Board of Survey reports in respect of library books belonging to the Uva Province Library Service Board for the period from 2003 to 2011 were not made available for audit. Library books had not been handed over to the female officer who worked as the Librarian since 19 July 2009 even up to 13 October 2011.

2.9.6 Accounts Receivable

The following observations are made.

- (a) An income of Rs.6,450 had not been recovered from 02 officers who resided in the Bandarawela circuit bungalow belonging to the Bandarawela Zonal Education Office during the year under review.

- (b) An income of Rs.22,239,417 receivable from the government and other institutions as at 31 December 2011 as machinery and vehicles rent, vehicles service charges, labour charges etc. was due to the Uva Province District Mechanical Engineers office.

2.9.7 Unsettled Advances

Advances amounting to Rs.799, 727 given to various parties by the 4 institutions of the Provincial Council had not been recovered back.

2.9.8 Outstanding Staff Loans

The following observations are made.

- (a) The outstanding loan advance balances of 12 accounts as at 31 December 2011 totaled Rs.88,484,333 out of which the balances remaining for more than 01 year totaled Rs.35,842,761.
- (b) Three thousand nine hundred and twenty three debtor balances which should have been settled through accounts summaries according to the Uva Chief Secretary`s Circular No. 2004/1 dated 08 January 2004 but not so settled totaled Rs.69,194,021 and the 1201 unsettled loan balances by officers who came on transfer totaled Rs.48,947,241.
- (c) Loan balances recoverable from 40 officers who had vacated their posts, who were interdicted, deceased and retired amounted to Rs.931, 505. Action had not been to recover from the pensions gratuity or sureties in terms of Section 4.2 and 4.5 of Chapter XXIV of the Establishments Code or to obtain Attorney General`s advice to recover the outstanding in terms of Section 4.6.
- (d) A proper course of action had not been taken to recover the loan balance of Rs.329, 531 from 3 deceased members of the Uva Provincial Council. According to the reply to the audit query no. UV/BD/B/2011/30 on dated 13 July 2011 it was

stated that action would be taken in terms of Financial Regulation 113 and Public Finance Circular No. 369 in respect of this loan balance.

2.9.9 Vehicle Utilization

- (a) Instances of non-compliance with Financial Regulations and Uva Province Financial Rules in respect of vehicle accidents observed in audit are given below.

Ministry / Office -----	Vehicle No. -----	Date of Accident -----	Value of Loss ----- Rs.
Uva Province Passenger Transport Authority	KD – 1936	Not made available	232,588
Provincial Secretariat	UPPB – 4413	15 November 2011	118,373
Ministry of Youth Affairs, Sports, Social Welfare, Estate Infrastructure Development, Power & Energy and Textile	UPKG – 5849	26 April 2011	645,012
Ministry of Small Industries	UPPB - 8641	Not made available	149,621

- (b) Even though a sum of RS.232, 588 had been incurred to repair the motor vehicle belonging to the Uva Province Passenger Transport Authority after being met with an accident in 2010, only a sum of Rs.173, 085 had been received as insurance indemnity and action had not been taken to recover the balance of Rs.59,503 from responsible officers.

2.10 Identified Losses

According to the audit test checks and the information available in the institutions, the following losses and damages were observed.

- (a) Revenue collected by 3 Time Keepers of Uva Province Passenger Transport Authority from 4 receipt books obtained during the year 2010 and from 10 receipt books obtained in September and October 2011 had not been handed over even by 03 January 2012 and action in terms of Financial Regulation 343 had not been taken thereon.
- (b) Hall facilities of the Uva Province Library Auditorium building which had been allocated to an external party on 03 April 2011 had subsequently been cancelled without giving them and it had been given to another party with free of charge and as such the Library Service Board had incurred a loss of Rs.15,000.
- (c) There were shortages of 12 sets of clothes and 02 dancing equipment, valued at Rs.251,000 which had been purchased by the Uva fake art centre
- (d) Distribution of water tank with the capacity of 500 liters purchased by the Divisional Secretariat at Bandarawela to be given to the death donation. Societies had not been establishment and it was not available at the office as well.
- (e) Outstanding electricity bills totaling Rs.39,668 which should have been recovered from a teacher who occupied the B/ Tissapura school had not been recovered and he had gone on transfer by 12 July 2011.
- (f) A stock of agrochemicals valued at Rs.238,475 purchased for the utilization of Okkampitiya seed farm without considering the requirement had expired its period of use by 07 June 2012.
- (g) Instead of recovering a sum of Rs.53, 053 as no pay leave from the salaries of an employee who had taken 115 days no pay leave, only a sum of Rs.28, 200 had been recovered.
- (h) There was a shortage of 360 packets of Triposha valued at Rs.38, 244 between the quality distributed and the quantity confirmed as received in 3 Divisional Secretariats.

- (i) As the input and output tax had not been adjusted in terms of Section 22(2) of the Value Added Tax Act No. 14 of 2002 an overpayment of Rs.451,930 had been made during the year 2011 to the Development of Inland Revenue.

2.11 Apparent Fraudulent Transactions

The following observations are made.

- (a) An officer who worked in the Uva Provincial Ministry of Education had conducted private tuition classes for 3 days a week by using the Uva Province Library Service Board Building but any approval whatsoever had not been obtained therefore either from the Uva Province Library Service Board or from the Uva Province Ministry of Education.
- (b) The Uva Province had sustained a loss of Rs.4, 537,640 due to embezzlement of cash for a number of years in the Monaragala Provincial Deputy Director of Health Service Office by preparing forgery payment vouchers with dummy names. This loss included erroneous payments to W& OP as surcharges and Agrahara, singing charges and stamp fees paid totaling Rs.173,329. A preliminary report or a final report in this connection was not made available for audit even by 31 May 2011 in terms of Financial Regulation 104(1) and (2).
- (c) Overpayments of salaries, allowances and holiday pay amounting to Rs.211, 356, Rs.1, 275 and Rs.4,010 respectively had been made to the Administrative Officer of the Uva Provincial Department of Aurveda during the period of serving in the Bible Zonal Education office up to 31 July by erroneously converting the salaries, contrary to the Public Administration Circular no. 06/2006 dated 25 April 2006.
- (d) Fake certificates had been given by the Technical Evaluation Committee stating that the goods totaling Rs.4,552,713 purchased for the main stores of the Uva Province Education Department in 6 instances were received to the stores in good condition in accordance with the specifications even before receiving the goods to the stores.

- (e) A sum of Rs.39, 000 had been paid in May 2011 to an Assistant Director of Education on the basis of fake documents stating that he had conducted 2 aesthetic seminars, by the Bandurawela Zonal Education office.
- (f) A quern stone valued at Rs.17,170 issued to the Badulla, Nagadeepa and Ridimaliyada Agriculture instructors office on 04 January 2010 had been misplaced.

2.12 Uneconomic Transactions

Despite the dancing equipment and sets of cloths and dancing equipment purchased in the year 2010 available in the Uva fake art centre were idle, equipment and set of cloths had been purchased by incurring an expenditure of Rs.2,035,610 for the setting up of Uva Province State Dancing Team. In the examination of this Transaction following matters were observed.

- (a) Prices in respect of 7 items had been more than prices at Badulla Town ranging from Rs.410 to Rs.6, 050.
- (b) Prices of 6 equipment of similar types in November 2011 had decreased the prices in April 2012 ranging from Rs.150 to Rs.8, 000.
- (c) In comparing the prices of equipment which had been purchased in the year 2010 and stored without being utilized with the prices in the year 2011, those prices had decreased ranging from Rs.630 to Rs.12,000.
- (d) In comparing the prices of 3 dancing equipment recommended by the Procurement Committee on 24 October 2011 for the purchase to the Uva Province Education Department, high prices ranging from Rs.640 to Rs.14, 100 had been paid for equipment purchased by the Ministry of Education.

2.13 Irregular Transactions

The following observations are made.

- (a) Out of the initial assessment of Rs.8, 500,000 relating to the acquisition of a building for the Governor's official Bungalow a sum of Rs.2, 000,000 in the year 2010 and Rs.6, 500,000 in the year under review had been deposited in the Badulla Divisional Secretariat. Instead of depositing 25 per cent of the rough estimate amounting to Rs.2,125,000 the total estimate of Rs.8,500,000 had been deposited and as such a sum of Rs.6,375,000 had become idle in the deposit account at the Badulla Divisional Secretariat.
- (b) A sum of Rs.76, 550 had been paid to the personnel names of former Chairman and the General Manager in 5 instances for the repair of 3 motor vehicles and a sum of Rs.6,500 had been paid to the personnel name of the Monaragala officer in charge by the Uva Province Passenger Transport Authority in the year 2011.
- (c) Distress loan of Rs.150, 000 had been given to a officer in the Uva community radio Service by producing a statement of some other officers salary particulars in his loan application.
- (d) A sum of Rs.36, 000 incurred on the creation appeared in the souvenir published in the ocation of state dancing team Kala eli Mangallaya had been spent under the expenditure Head of Uva Province Ministry of Education without spending the provision of Rs.317, 500 received for that creation.
- (e) Loan balances of Rs.88, 500 recoverable from 3 officers as at 31 December 2010 in the Welimada Zonal Education office had been written off from the advance account without adding any reasons.
- (f) A distress loan of Rs.100, 000 had been paid to a teacher in a Badulla District School on 20 March 2011, whose salary had been stopped since January 2011 due to proceeded abroad without proper approval.

- (g) An over payment of transport allowances amounting to Rs.16,320 had been paid to a disciplinary inquiry officer instead of stating the average distance of 80 Km from Ketawala, Landewela to Monaragala as a distance of 148 Km.
- (h) An additional remuneration of Rs.237, 381 and the holiday pay of Rs.91,338 had been paid to the Accountant of the office of the Deputy Chief Secretary (Engineering Services) who had served in the Provincial Mechanical Engineers office for 4 years in the post of unapproved Accountant.
- (i) Out of the total residence telephone and official telephone bills of the Provincial Mechanical Director incurred for the year 2010, a Mobil telephone charges of Rs.17,358 had been reimbursed irrespective of the approved limit.
- (j) Deviation from Procurement Procedure

The following observations are made.

- (i) Without following the proper procurement procedure and without getting the approval for a cost estimate, the repair work of the lighting system in the main auditorium stage of the Uva Province Library Services Board had been got done by a private firm on 08 July 2011. The contractor had submitted bills valued at Rs.34, 750 and a sum of Rs.12, 000 had been paid to him. However, only 05 sets out of 17 sets of the lighting system had been in working condition as at the date of audit on 13 October 2011.
 - (ii) Without following the provisions in Section 1.2.1 of the Chapter 1 of the Procurement Guidelines, the school canteen in a girls school in Badulla had been given on lease for a period of more than 4 years from May 2007 to September 2011 to a same institution.
- (k) Release of Money without Supplying Goods and Services

The following observations are made.

- (i) Contrary to the provisions in Financial regulation s 137(5) and 237(b), a sum of Rs.4, 840,326 had been paid before receiving the goods purchased to the Kinigama main stores in 11 instances.
- (ii) Sports goods purchased on 27 May 2011 paying a sum of Rs.349, 944 by the Uva Provincial Education Department out of the money received for the Education Sector Development Project were not received even by the date of audit on 08 February 2012.

(I) Transactions not Supported by Adequate Authority

The following observations are made.

- (i) Fuel allowances of Rs.354, 105 and Rs.292,620 had been paid to the General Manager and the Chairman of the Uva Passenger Transport Authority respectively only on the approval of the Board of Directors without getting the sanction of the Minister in charge of the subject of Finance in terms of Section 15 of the Uva Province Passenger Transport Authority Statute.
- (ii) Without changing the approved rates on reasonable basis the Main Auditorium and the lecture hall belonging to the Uva Province Library Service Board, had been rented out in 44 instances and collected a total sum of Rs.225,900 from various persons and institutions.
- (iii) The main auditorium and the lecture hall of the Uva Province Library Service Board had been allocated to external parties in 115 instances from 01 January 2010 to 13 October 2011 without charging rents. Had the minimum charge been recovered, a sum of Rs.542, 000 could have been collected.

2.14 Operating Inefficiencies

The following observations are made.

- (a) According to an agreement entered in to a Non-governmental Organization by the Uva Province Ministry of Education, a sum of Rs.2,000,000 had been given for the supply of facilities to the Central Library Service Board Monaragala District. Library books and office equipment purchased by paying a sum of Rs.1,998,938 out of the above money had not been delivered to the Monaraga Library even by 31 December 2011 and a computer purchased at Rs.72,500 had been using in the accounts division of the Ministry of Education. Other equipment had been idled in the stores of Uva Province Library Service Board building and certain books racks, reading tables and cushion chairs were damaged.
- (b) The building complex of the Uva Province Library Service Board had 6 units namely, Library Service Board office, auditorium, central library office of the Uva Province Passenger Transport Authority, unit of the Kahogolla Mechanical Engineering office and the canteen and the electricity supply had been given to all units from one meter except for the canteen. Expenditure on monthly electricity consumption and water consumption ranged from Rs.29,000+73,000 and from Rs.7,000 to Rs.17,000 respectively. After recovering 5 per cent of this electricity and water bills from the canteen the balance was incurred by the Ministry and action had not been taken to recover any money from the other institutions.
- (c) Revenue money collected by 3 Time Keepers of the Uva Province Passenger Transport Authority from 39 counterfoil books totaling Rs.1,370,600 had been handed over to the office after a delay of 01 month to 03 months.
- (d) Accuracy of the boundaries of the land in which Ohiya Field Training Centre is constructed had not been ensured by obtaining the original plan of the land, survey plan etc. As the building plan had not been prepared in considering the selection of this land with slope and the nature of location etc. a security wall is being constructed in front of the land by incurring a sum of money as large as rs.5,867,002 as stated in item 10 of the estimate

and it was observed that a further sum of money has to be spent in respect of security walls in future as well. Due to preparation of plans without paying attention to obtain another land in some other location instead of selecting this land, it was observed in audit that the expenditure incurred on this was an additional cost to the government. Action had not been taken to plan for the disposal of kitchen waste from this 10 room - training centre which is located at the boundary of the Horton Plane reservation.

2.15 Management Inefficiencies

The following observations were observed.

- (a) The monthly average balance of the main current account belonging to Uva Provincial Council Fund amounting to Rs.430 million had been idle during the whole year.
- (b) Had a sum of Rs.425, 000,000 which was transferred from the main current account of the Uva Provincial Council to the normal savings account in June and July of the year under review, been transferred at the beginning of the year 2011, an additional gross interest of Rs.7, 833,300 could have been earned.
- (c) The rough estimate of the Divisional Secretary Badulla amounting to Rs.1,500,000 in the year 2009 and a sum of Rs.783,000 in the year had been deposited in the Divisional Secretariat at Badulla for the acquisition of Kuda Muththettuwa Land. The department of valuation had not specifically given the assessed value of land. Instead of depositing the 25 per cent of the rough value of estimate amounting to Rs.375, 000 a sum of rs.1, 908,000 had been idle for a long period as deposit in the Badulla Divisional Secretariat, as a result of depositing a sum of Rs.2, 283,000 including the total rough estimate.
- (d) Revenue on stamp fees and Court fine retained by the Uva Province Revenue Department as at 31 December 2011 without being released to

the relevant Local Authorities amounted to Rs.267,968,094 and Rs.191,651,642 respectively.

- (e) Out of a sum of Rs.125, 582,791 received by the Provincial Council during the year 2011 as stamp fees income, only a sum of Rs.12, 864,365 had been released to the Local Authorities by the Uva Province Revenue Department and out of the court fines of Rs.96, 156,135 in the year under review, only a sum of Rs.9, 069,360 had been released.
- (f) Any money whatsoever had not been given to the 120 Pradeshiya Sabas and 9 Pradeshiya Sabas from stamp fees income and court fine income respectively in the year 2011.
- (g) It was taken nearly one year to give an aid of Rs.100,000 to two beneficiaries from the Chief Minister`s Fund on requests made by them on account of illness and the cheques written in this connection had been presented to the bank after 7 months period from the date of payment. A confirmation to ensure that this money had been given to such beneficiaries them self was not made available.
- (h) In terms of Section 01 of the Extra-ordinary Gazette Notification No.1722/27 dated 09 September 2011, the revised annual revenue license fees for motor vehicles should be effective, from 01 October 2011 at the Chief Secretary`s Office. However, the revised revenue license fees for motor vehicles had been effective from 01 January 2012 within the Uva Province and as such the revenue license fees of Rs.4,029,020 had been deprived of by the Provincial Council.
- (i) Seventeen projects valued at Rs.387,500 under Criteria Based Investments programme in the year 2011 had not been implemented by the Passara Divisional Secretariat.

- (j) A demurrage charge of Rs.80,500 from 02 license holders in the Hali Ela Divisional Secretarial Division and Rs.76,049 from 06 license holders in the Bandarawela Divisional Secretarial had been under recovered as liquor license had not been obtained within the specific period in terms of provisions in Circular No. EC/G/R/L/201 dated 27 September 2010 of the Commissioner General of Excise.
- (k) Follow up action had not been taken to ensure whether aids in kind valued at Rs.629, 259 distributed among 42 beneficiaries in the year 2011 had been utilized for the purpose for which they were given by the Bandarawela Divisional Secretariat under Criteria Based Investment programme.
- (l) Despite there were 5 motor cycles not used but can be used in the office, a new motor cycle had been purchased on 29 December 2010 by incurring on expenditure of Rs.139,900.
- (m) Ninety three kilogram of seed beans valued at Rs.126,945 had been given to 48 farmers at Dambana Mahiyanganaya for plantation. In the examination of 21 kg of seed beans valued at Rs.13, 650 given to 10 beneficiaries selected on a sample basis it was observed that there was no harvest whatsoever and as such farmers had met so many difficulties.
- (n) Six discarded machines belonging to the District Mechanical Office had been parked in the office premises since 2008 due to unavailability of required spare parts in the market. Action had not been taken to dispose them or to do a suitable course of action.

2.16 Performance

2.16.1 Activities Contrary to Objectives

According to the VDRL register it was confirmed that 2,578 HIV Elisa tests had been carried out by using the Multiskan Ex (Reader) Lab system in the

anti-venereal diseases unit at the Badulla General Hospital the period during which that machine had been referred for repairs. It cannot be ruled out that the diagnosis of diseases by testing HIV Elisa tests during the period the machine was inoperative was false information. The accuracy of reports taken without using this machine had been doubtful.

2.16.2 Objectives not adequately fulfilled

The following observations were observed.

- (a) The Applications were called for from Technicians with the aim of setting up of a state music team for Uva Province in the year 2010 and a special interview Board had been appointed and technicians had also been selected. Even though more than 2 years had elapsed after incurring an expenditure for equipment amounting to Rs.908,310, action had not been taken to set up the state musical group even up to 31 December 2012.
- (b) The provincial State Dancing Team had been established in the year 2011 by incurring an expenditure of Rs.4,551,850 under the technical instruction and direction of the Colombo Esthetic University with a number of objectives such as upliftment of art skills of the youth resided in the province who had dropped out from schools, protection of cultural values and contributing to future generation, upliftment of inhabitants, enjoyment and providing cultural characteristics for state and non-state

festivals. This project was failed due to various reasons such as leaving the dancing team, not taking action to fill the vacancies non-receipt of income for training etc. Although the estimate income for the year 2011 amounted to Rs.1, 395,000, any income whatsoever had not been earned even by 25 July 2012 the date of audit even after 9 months from the date of establishment of the Dancing team.

(c) 2006 Weli Oya Environment Conservation Programme – provision Rs.2,905,923.

The following matters are observed in respect of the above programme

- (i) Out of the provision of Rs.2, 905,923 made for the programme, only a sum of Rs.339, 553 representing 11.6 per cent of the provision had been spent.
- (ii) In the examination of this project in January 2012, only 180 purchases had been forested out of 05 hectares selected and specifically identified for forestation.
- (iii) Construction works of twin house at M/ Nalanda Maha Vidyalaya and Library building at M/ Laginagala had not been carried out from the provision of Rs.5, 000,000 made for that purpose.
- (iv) Although 50 units of grape plants had been given for planting, all of them were destroyed.
- (v) Beam of the door of outer spill (Sand Gate) fixed at a cost of Rs.189,568 under the Neelamaha Dam Projects was removed and escaped beside the polls and leaking water.
- (vi) Without being carried out a formal feasibility study, various kind of plants had been given to a farmer at Ahuwewa, Millagama and as the land he had planted to the extent of 6.5 acres had been

legalized as a conserved land he had alienated the planted land with 40 mango plants 32 coconut plants and 100 orange plants.

- (e) The central air condition system supplied and installed on 17 September 2010 in the ICU of Diyathalawa base hospital by paying a sum of Rs.13, 245,101 to the Ceylon Electricity Board had not been properly operated since the date of installation and as such the Hospital Staff including the specialist medical office had met many difficulties.

2.17 Contract Administration

The following observations are made.

(a) Weaknesses in the Execution of Projects

Work of the rehabilitation and improvement of Galauda, Kandeketiya, Karametiya road under the Uva Provincial Road Construction Project, for which the agreement was signed on 02 October 2010 for the contract value of Rs.856, 026,287 should have been completed within 2 years by 30 October 2012. At audit test check carried out in November 2011 in connection of this work observed the following deficiencies.

- (i) Despite the contract period had lapsed for more than 50 per cent, the overall value of work done of the contract as per the last bill paid on November 2011 amounted to Rs.57,225,328. Accordingly, the physical progress of the construction work had been as very low level as 6.67 per cent and the work done progress of 5 main construction works had also very low level. Similarly, this work had not been completed even by December 2013 and the physical

progress of the construction works as at 31 December 2013 amounted to Rs.454, 486,988 representing 52 per cent.

- (ii) Out of the works of 15 major items stated in the agreed bill of quantity of work done range from 0.4 per cent to 53 per cent.
- (iii) The value of 13 major items by which the contractor had not done any construction work had been more than Rs.200 million.
- (iv) While the agreed 2 year contract period had lapsed for over 50 per cent the original contract sum had been revised by 122.9 million or 16 per cent. Quantities in the revised bill of quantities in 21 items had been changed from 59 per cent to 11011 per cent over the quantities stated in the agreed bill of quantities.
- (v) Any money whatsoever had not been recovered from the mobilization advances of Rs.110,760,124 paid to the contractor even by November 2011, and the amount to be further recovered by December 2013 was Rs.78,270,488.
- (vi) Four posts in the compulsory staff had been vacant by the time of audit in December 2011 and labours proposed to be worked during the month of November for 4,530 machine hours whereas the actual machine hours worked amounted to 3,208 only.
- (vii) When the sample of work relating to the construction work of the contractor inspected was failed it was observed in audit that the officers of the consultancy firm could not stop those works or to ask them to rectify.
- (viii) At the spot inspection carried out at the time of covering the bridge with concrete at the 3+670 k.m. place with the Technical Officers of the consultancy firm, the slump test of 2.5 cubes of concrete brought to the sight was failed. The value of that sample which

should have been between 100 mm to 150 mm had been 70 mm. The concrete mixture so failed had been used to the Bridge but the Technical Officers of the consultancy firm were unable to preclude or to rectify it.

- (ix) Eight culvert compressive strength test on concrete cubs out of 51 completed culverts had failed. The value at that test which should have been 20/20 but the value tested was between 14 and 19.
- (x) Construction of 136 culverts relating to the project were identified but the construction firm had not taken action to approve 17 culverts drawing to be built between 15+020 k.m. and 19+967 k.m. up to now.
- (xi) Necessary steps had not been taken to re-locate the 96 electricity posts and 120 telephone posts identified to be relocated at the time of widening the road even though the project period had exceeded 50 per cent. It was observed in audit that these matters had also resulted to delay the construction works.

(b) Abandonment of Projects without being Completed

Works of construction project of the car park and the toilet system at Kumbukkana Rest House commenced at an estimated cost of Rs.5,160,748 on 23 December 2010 by the Monaragala Regional Engineer`s Office (Buildings) had been completed at a value of Rs.1,030,00 as at 31 December 2010. However, the project had been abandoned without being completed due to protests made by the public.

(c) Constructions

Field inspections of construction works observed the following deficiencies.

- (i) A sum of Rs.421, 101 had been paid to the Sapugas Ulpotha Farmer`s Society for the construction of a wall to prevent damages to Sapugas Ulpotha stretch of field and to the channel in the Bandarawela Divisional Secretarial Division. At the physical verification it was observed that this wall had been constructed to protect earth slip of a private land and a house.

- (ii) In making payments for the construction work of M/ Madulla Maha Vidyalaya under the “Isusru” School Project, an over payment of Rs.75, 716, in making payments to the construction work of Bindunuwewa Service Editing Institute Post harvest Technology building an over payment of Rs.34, 308 and an overpayment of Rs.11, 959 to make fire wood fence to the Monaragala “Geelon” Bungalow by the Department of Agriculture had been made.

2.18 Supervision of Local Authorities

The following observations are made.

In considering the following weaknesses in the 28 Local Authorities located within the Uva Province under the direction and control of the Provincial Council, it was observed that such supervisory functions had not been properly carried out.

- (a) Presentation of financial statements

Of the 28 Local Authorities situated within the Uva Province, financial statements had been presented to audit only by 6 Local Authorities within the specific period.

- (b) Arrears of Revenue

- (i) Rates and other taxes receivable to the Local Authorities of Uva Province for the year under review and for previous years as at 31 December 2013 amounting to Rs.238, 383,139 were in arrears.
- (ii) Court fines and stamp fees revenue receivable to the Local Authorities of Uva Province in terms of provisions in Municipal Councils Act No. 42 of 1979. Urban Councils (Amendment) Act and Section 129 (2) of Pradeshiya Sabha Act No. 15 of 1987 had not been received by those Local Authorities.

(c) Money Recoverable in respect of Surcharge Certificates Issued

A sum of Rs.6, 971,291 was recoverable in respect of 74 surcharges imposed on the officers and members of Local Authorities in the Uva Province as at the end of the year under review.

2.19 Internal Audit

A sum of Rs.300 million had been allocated for 215 projects, special projects and continuation works in respect of road maintenance and road reconstruction and it represented 8.6 per cent of the total capital provision of the Provincial Council. A sufficient internal audit to monitor this capital expenditure had not been carried out within the organization and the internal audit programmes had also not been prepared.

2.20 Corporate Plan

A Corporate plan for a future period of 3 years beginning form 2011 had not been prepared in terms of the letter no. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance.

2.21 Audit Committees

Audit committees in 24 Ministries / Departments of the Provincial Council to improve the financial prudence and financial Management of the Provincial Council had not been established.

3. Systems and Control

Special attention is needed in respect of the following areas of systems and control.

- (a) Accounting
- (b) Revenue Administration
- (c) Provincial Council Development Plan
- (d) Internal Audit
- (e) Supervision of Local Authorities
- (f) Personnel Management
- (g) Assets Management
- (h) Contract Management
- (i) Banking of Collection