

Sabaragamuwa Provincial Council - 2013

The audit of financial Statements of the Sabaragamuwa Provincial Council for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Councils Act, No 42 of 1987. This report is issued in terms of the Section 23 (2) of the Provincial Councils Act.

1.2 Management's Responsibility for the Financial Statement

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International standards of supreme Audit Institutions (ISSAI 1000 - 1810). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Provincial Council's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to Provide a basis for my qualified audit opinion.

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sabaragamuwa Provincial Council as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Provincial Council Fund

The Provincial Council Fund Account of the year under review had been presented to audit on 31 March 2014.

2.2.2 Other Accounts

The Progress of presentation of other accounts of the Provincial Council for the year under review as at 30 June 2014 is given below.

	<u>Total number of accounts</u>	<u>Number of accounts presented</u>	<u>Number of accounts not presented</u>
(i) Appropriation Accounts	28	28	-
(ii) Revenue Accounts	01	-	01
(iii) Advances to Provincial Public Officers Accounts	25	23	02
(iv) Commercial Advance Accounts	05	03	02
(v) Fund Accounts	03	02	01
(vi) Ordinance Accounts	03	03	-
(vii) Advances to Members Accounts	02	02	-
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Total	<u>67</u>	<u>61</u>	<u>06</u>

2.2.3 Accounting Deficiencies

The Following observations are made.

- (a) Two fixed deposits totalling Rs.1,500,000,000 included in the balance of Rs.3,371,763,492 shown under the short term investments as at 31 December 2013 in the statement of financial position had been actually opened on 02 January 2014. As a result, the cash balance in the statement of financial position as at 31 December 2013 had been understated by Rs.1,500,000,000 while the investment balance as at that date had been over stated by the similar amount.
- (b) According to the Provincial Financial Rule No. 309 of the Sabaragamuwa Province, a statement of assets and debit balances and liabilities and credit balances directly related to the Provincial Council Fund, disclosed in the books of Provincial Treasury as at 31 December should be prepared at the end of the year as early as possible and presented to the Auditor General for audit. Nevertheless, assets valued at Rs. 594,654,941 generated from the Provincial Council Fund had not been included in the statement of financial position presented for the year under review.
- (c) As the financial positions and financial results of 4 Funds and 3 Authorities set up by various ordinances in the Sabaragamuwa Provincial Council had not been included in the financial statements of the Provincial Fund, the overall financial position and the financial results of the Sabaragamuwa Provincial Council had not been disclosed in the financial statements presented.

2.2.4 Unreconciled Control Accounts

According to the control accounts relating to the 8 items of accounts, the balances totalled Rs.316,788,589 whereas the balances of these accounts according to the subsidiary books/records totalled Rs.346,881,278 thus indicating an unreconciled difference of Rs. 34,728,310.

2.2.5 Accounts receivable and payable

The value of accounts receivable balances and the value of accounts payable balances remained for more than one year amounted to Rs.35,334,392 and Rs.2,366,218 respectively.

2.2.6 Lack of Evidence for Audit

The Following observations are made.

(a) Unreplied Audit Queries

Replies for 54 audit queries had not been presented by 31 December 2013 and the value of transactions quantifiable subjected to those queries could be computed at Rs. 255,032,913.

(b) Non-availability of Information for Audit

Transactions totalling to Rs. 25,898,268 relating to the seven institutions could not be satisfactorily vouched in audit due to non-availability of required information for audit. Files relating to the action taken in respect of complaints made to the office of the Medical Officer of Health, Eheliyagoda during the year 2013 and case records files in respect of cases filed by Public Health Officers against 06 institutions were not made available for audit.

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

<u>Reference to Laws, Rules and Regulations</u>	<u>Non-compliance</u>
(a) Letter of the Deputy Commissioner of Inland Revenue (VAT) dated 15 September 2009.	Value Added Tax totalling Rs. 1,160,708 had been paid to a Contractor in 10 instances to whom the payment of value Added Tax had been suspended until further notice by 2 Ministries/ Departments.
(b) Circular No. ED/01/12/10/06/01 dated 11 May 2011 and Paragraphs 3:1 and 13.1 of the Circular No 2011/18 dated 31 May 2010 of the Secretary to the Ministry of Education.	Even though the number of student to be admitted to a class had been limited to 42, two hundred and seventy three students had been admitted to a school in the mawanella Education Zone in 15 classes from grade 01 to grade 5 in excess of the students to be existed.
(c) General Circular No. 02/86/98 dated 26 August 1998 relating to the canteen income and expenditure issued by the Office of the Director General of Health Services.	
(i) Section 2.1	All the income including monthly rental received in operating canteens by calling for tenders maintained by welfare societies should be credited to a separate bank account opened in a recognized bank for that purpose in the name of the welfare society. However, out of the rent income of the canteen operated in the Balangoda Base Hospital received in the years 2012 and 2013, a sum of Rs.

686,380 had not been deposited in the bank account and utilized for the settlement of its expenses.

- (ii) Section 2.4 Even though the proposed programmes should be prepared before spending money from canteen income and get the prior approval of the relevant authorities, such approval had not been obtained in respect of the expenditure totalling Rs. 425,517 incurred for the renovation of canteen of the above Hospital.
- (d) Reference to Paragraph 05 of 8:12 of the Procurement Guidelines of 2006 Action had not been taken to inform the Commissioner General of Inland Revenue in respect of the Value Added Tax totalling Rs. 9,599,105 in 65 instances paid during the period from December 2012 to June 2013 by the Ministry of Education.
- (e) Financial Rules of Sabaragamuwa Provincial Council of the Democratic Socialist Republic of Sri Lanka
- (i) Financial Rule 118 A sum of Rs. 757,905 collected by 2 institutions had been remained in hand without being banked for the periods ranging from 02 to 30 days.
- (ii) Financial Rule 261.2.2 Advances totalling Rs. 1,770,996 given by the Provincial Department of Education and 2 Zonal Education Offices during the year under review had been settled after delays ranging from 16 to 150 days. Without settling the sub - imprests given previously by 2 Zonal Education Offices in the Ratnapura District in 27 instances, sub - imprests totalling Rs. 1,519,514 had been issued again.

2.4 Transactions not Supported by Adequate Authority

In terms of paragraph 04 of the letter No. FC/PR & P/GL/2013 dated 01 March 2013 of the Secretary to the Finance Commission, if the officers of the Ministry or Department who are responsible for the subject of training Programs are participated as resource persons, allowance of resource persons could not be obtained. Contrary to that, resource persons allowances totalling Rs. 203,400 had been paid to 44 officers of

the Provincial Department of Education and Zonal Education Offices in Ratnapura District during the year under review.

3. Revenue Management

3.1 Revenue Trend for the last 5 years

Particulars of Tax Revenue and Non-tax Revenue collected by The Provincial Council for the last 5 years are given below.

<u>Year</u>	<u>Tax Revenue</u> Rs.	<u>Non-tax Revenue</u> Rs.
2008	1,012,846,946	251,306,994
2009	1,146,644,488	271,623,594
2010	1,382,363,156	321,209,919
2011	1,943,637,444	416,079,145
2012	2,007,749,583	496,404,402

3.2 Arrears of Revenue

The Following observations are made.

- (a) Long terms lease rent totalling Rs. 23,962,767 receivable from land and buildings given in lease to various institutions and persons by 8 Divisional Secretariats in the Sabaragamuwa Province as at 31 December 2013 and annual taxes totalling Rs. 2,236,725 had been outstanding even by September 2014. Action had not been taken to recover these outstanding in terms of Section 7 of the Letter No. 96/05 dated 01 August 1996 of the Land Commissioner. Further, the water tax valued at Rs. 165,000 relating to the Divisional Secretariat, Bulathkohupitiya and the annual land license fees totalling Rs. 292,932 relating to 2 Divisional Secretariats were recoverable even by October 2014.
- (b) In recovering annual taxes on laying pipe lines of a private hydrolic power project in the Eheliyagoda Divisional Secretariat area, taxes had not been computed on the value assessed by the Chief Valuer. As a result, taxes for the period from 2009 to 2013 amounting to Rs. 209,980 had been under recovered.

(c) The arrears of revenue as at 31 December 2012 relating to 4 revenue codes collected by the Provincial Income Department totalled Rs. 34,871,991 out of which only a sum of Rs. 8,421,456 had been collected during the year 2013. It was observed that the progress of collection of revenue arrears in terms of each revenue code had been at a low percentage ranging from 0.8 per cent to 27 per cent.

3.3 Out of the court fines received by the Chief Secretary relating to 21 Local Authorities in the Sabaragamuwa Province during the year under review the amount payable to the relevant Local Authorities as at 31 December 2013 totalled Rs. 20,921,374.

04. Financial Review

4.1 Financial Results

According to the Financial Statements presented, there was a surplus of Rs. 1,916,626,676 in the Provincial Council Fund for the year ended 31 December 2013, as compared with the surplus of Rs. 578,643,467 in the preceding year.

4.2 Legal Cases Initiated against or by the Council

Hundred and thirty nine legal cases filed against 15 Ministries/Departments of the Provincial Council by external parties and 3 legal cases filed by 02 Ministries/Departments against external parties were being heard by December 2013.

4.3 Abnormal Increase in Expenditure

In the comparison of actual expenditure of the year under review with the actual expenditure of the year 2012, the actual expenditure of 3 recurrent expenditure items in the year under review had been abnormally increased by the percentages ranging from 56 per cent to 214 over the year 2012.

5. Accounts of Authorities

(a) Industrial Development Authority

The Following observations are made.

(i) Finished stocks totalling Rs. 862,576 sold to 16 institutions from the year 2007 to 30 April 2013 had not been removed from the work site until 15 October 2014. All such sales included therein had been on credit basis and as such those sales invoices should have been cancelled and taken to stock but it had not been so done.

(ii) Action had not been taken to recover the arrears of lease rental totalling Rs. 211,000 as at 31 December 2013, from the 2 trade stalls, out of 4 stalls in the "veralupa" Handicraft center of the Industrial Development Authority even up to 15 October 2014, the date of Audit.

which had been given on lease.

(iii) In terms of paragraph 4.1 of Chapter viii of the Establishments Codes of the Democratic Socialist Republic of Sri Lanka, the officers who engage in field duties are not entitled to get overtime allowance. Contrary to that, a sum of Rs. 76,267 had been paid to the General Manager of the industrial Development Authority as overtime allowances during the year under review and a sum of Rs. 20,340 had also been paid as holiday pay.

(b) Development Construction and Machinery Authority

The Following observations are made.

(i) Out of the total debtors of the Authority as at 31 December 2013 amounting to Rs. 46,654,421, it consisted of 62.4 per cent balances older than 01 year and debtor balances totalling Rs. 9,827,378 had been continuously carried forward as dormant debtor balances. It also included an unidentified debtor balance of Rs. 2,334,254.

(ii) Although a sum of Rs. 232,960 had been paid to a daily newspaper by the newspaper advertisement No. DECMA/AD/05 dated 04 March 2013 by requesting to allocate a full colour page in the supplementary which would be published to gratitude the Minister of Economic Development on behalf of the Authority any advertisement whatsoever had not been published in that newspaper supplement.

(iii) According to the Circular No. PED 58 dated 29 April 2009 of the Department of Public Enterprises, without obtaining a specific classification, the Development Construction and Machinery Authority had been classified under "C" grade with effect from 01 May 2011 at the meeting of the Board of Directors held on 19 October 2011 and allowances entitled to "C" grade by the Department of Public Enterprises had been obtained.

- (iv) Despite there was no considerable variation in the gross profit ratio of the year 2013 as compared with the year 2012 in considering profitability ratios of the Authority, the net profit ratio had dropped from 13.5 per cent to zero value of 2.23 percent. The administration expenditure ratio had increased from 32 per cent to about 2 times to 63 per cent. Accordingly, despite a profit of Rs. 10,694,853 had been reported in the year 2012, a loss of Rs. 1,734,891 had been reported in the year 2013. It was observed that non - increase of income as against the increase of administration expenses of the Authority had been the main reason for reporting a loss in the year 2013.
- (v) The Authority had officially commenced its function in the year 2011, but a fund for the payment of gratuity had not been established even by 13 June 2014 although the attention had been paid by audit queries.

6. Operating Review

6.1 Performance

In considering the net provision for capital expenditure and actual expenditure of the Provincial Council for the year under review, capital provision of Rs. 691,477,416 in 4 Ministries had been saved due to non - receipt of imprests. It was observed that it had badly affected to development activities of the Province. Further, the balance of fixed deposits of the Provincial Council as at 31 December 2013 amounted to Rs. 3,371,763,492 and action had not been taken to find opportunities to implement the development activities by utilising these fixed deposits which had not been implemented due to non - receipt of imprests.

6.2 Management Inefficiencies

As action had not been taken to recover the surcharges imposed by the Auditor General from time to time in terms section 226 (5), (6) of the Municipal Councils ordinance (cap 252), Section 183 (5) of the Urban Councils Ordinance (cap 255) and Section 172 (8), (9) and (10) of the Pradeshiya Sabha Act No. 15 of 1987, surcharges totalling Rs. 2,270,627 out of surcharge certificates issued by the Auditor General from time to time since 1971 were recoverable by the end of the year under review under 38 surcharge certificates.

6.3 Operating Inefficiencies

The Following observations are made.

- (a) Polbemma irrigation anicut constructed by the Ministry of Land, Provincial Irrigation, Agriculture, Animal Products and Animal Health and Fisheries by incurring an expenditure of Rs. 322,655 had been inspected by the audit on 17 September 2014 in the second time but water had not been supplied by this anicut even for a single season though 2 years had elapsed.
- (b) It was established in audit that the performance Bond No. NN 12/10 dated 10 May 2010 valued at Rs. 981,000 presented by a construction firm in the year 2010 to the Ministry of Provincial Road Development, Rural Infrastructure, Tourism, Sports and Youth Affairs had been a false bond. Even though this fraudulent act had been complained to the senior Deputy Inspector General of Police Ratnapura and the Criminal Investigation Department, such investigation had not completed even by October 2014 and the follow up action in this regard by the Ministry had been at a weak level.
- (c) As 112 barrals of asphalt with 180 letters costing Rs. 1,929,714 had been stored unprotected in the Dehiowitzav Executive Engineer's office, they had become dilapidated. It was observed that insufficient stores accommodation had been the reason for this position.
- (d) The building constructed for the Uruwala dispensary on the provision of the Ministry of Health services in the year 2006 was overgrown with weeds without being utilized at the time of audit in July 2012. It was observed that the dispensary has been operated in a new building constructed about two kilometers away from that building.
- (e) A library of a school in the Mawanella Education Zone has been destroyed by termites, but action had not been taken to protect it by getting it repaired, though the Ministry was informed the requirement of repair it. 106 Library books destroyed by termites had been condemned by the Board of survey in the year 2011 and 3 book racks were being destroyed at the time of audit on 28 January 2014.
- (f) Sub - section 21:1 of chapter XLVIII of the Volume II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, an officer appointed as a Tribunal in a formal disciplinary inquiry should hold the inquiry without delay or within a period specified by the Disciplinary Authority and transmit, as soon as possible, the report of inquiry to him. Nevertheless action had not

been taken accordingly in respect of 34 files maintained by the Department of Local Government for various disciplinary inquiries and there were delays in taking disciplinary actions ranging from 01 to 03 years up to 12 May 2014, the date of audit.

- (g) Even though it is the duty of the Council that if any member of the Council is not entitled to his monthly allowance, the installment of members advance given to Council members by the Department of Local Government should be recovered from him and remitted to the Chief Secretary's Office through the Commissioner of Local Government, action had not been taken to recover the outstanding advances of Rs. 82,000 for the year under review from 15 members of the Ratnapura Pradeshiya Sabha, even by 13 October 2014. Further according to the Section 02 of the agreement, the originals of the relevant documents should be submitted to the Commissioner of Local Government or his authorized officer before 05 August 2012 in giving these advances. However, action had not been taken in terms of that Section in respect of loans totalling Rs. 19,890,000 obtained by 133 public representatives representing 18 Local Authorities although 1 ½ years had elapsed.
- (h) Even though an air-conditioned Computer Lab had been set up in a school in the Balangoda Education zone, it had been closed from the year 2010 to November 2013 without being utilized for any purpose. According to the inventory register 13, computers received but 2 of them had been misplaced in the year 2010 and accessories of high values had been removed from another 07 computers. According to the investigation report in this connection it was reported that the then Principal had to be responsible for this loss but the value of loss had not been determined and recovered even by 16 October 2014.
- (i) Out of the provisions made to improve the sanitation facilities of estate community and to set up 'suwadi' centres within the Sabaragamuwa Province by the Ministry of Health of the Central Government, a sum of Rs. 3,185,000 had been given to the Office of the Ratnapura Divisional Director of Health services. However, a sum of Rs. 1,110,818 had been remitted again to the Ministry of Health without being spent due to inefficiency in the implementation of such programs.
- (j) Shortages of 41 units of bio - medical equipment of 12 types, 72 units of 6 types of office equipment, 04 units of 15 types of hospital equipment at Rakwana District Hospital in Ratnapura District, were observed. Further there

was a shortage of 12 types of essential equipment required for the treatment of residential patients in the Mahapallegama Regional Hospital in Kegalle District and the emergency lamp in the labor room had been inactive. It was further revealed that labor room was getting wet on rainy days through the broken seeling.

- (k) According to the condition No. 06 of the security service agreement of the Eheliyagoda District Hospital, two chief security officers should be deployed but only one person had been deployed and paid a sum of Rs. 221,400. According to the condition No. 06 of the agreement, Rs. 615 for a chief security officers and Rs. 580 for a security guard should be paid per day as salaries but only Rs. 450 and Rs. 400 had been paid to those officers respectively. As a result, a sum of Rs. 454,425 totalling Rs. 675,825 could be able to earn by the contractor by violating the condition of contract.
- (l) In the physical verification of stock of drugs in the office of the Medical Officer of Health, Ehaliyagoda, variations between 500 - 20000 units in respect of 7 items of drugs were observed. 30000 units of 3 types of drugs had been expired for the periods ranging from 02 to 07 years and there was a shortage of 23 types of drugs ranging from 03 months to 01 year in 02 Hospitals in the Ratnapura District.
- (m) Under Section 16 of the Foods Act No 26 of 1980 it was planned to send about 2 food samples to the Government Analysisit for analysis, However, only 15 food samples had been referred for analysis by October 2013 by the office of the Medical Officer of Health, Ehaliyagoda in respect of 06 Public Health Inspectors areas. It was unable to complete it as planned.
- (n) Water samples of 4 water projects relating to 3 Public Health Inspectors Divisions in the Medical Officer of Health office at Ehaliyagoda had been tested and it was reported that those samples contained bacteria. Any action whatsoever had not been taken in that connection and no evidence therefor was made available for audit.
- (o) Thirty seven claim forms received by the Kuruwita Divisional Secretariat, the date of receipt was not known and 222 completed land licenses in 11 Grama Niladhari Divisions had not been distributed among the beneficiaries even by 24 September 2014/ not made the relevant allowances.

- (p) Compensation in respect of 26 blocks of lands the assessed value of which was Rs. 592,375 acquired by the Divisional Secretary, Opanayaka in the year 2001 had not been paid even by 24 September 2014.
- (q) A Technical Officer who served in the Yatiyantota Pradeshiya Sabha at present who had been interdicted from 22 March 2011 to 29 November 2011 in view of a misconduct done by him during which he had been working in the Ratnapura Municipal Council had been reinstated on 30 November 2011 subject to a formal disciplinary inquiry. However, without carrying out a formal inquiry he was promoted to the class of the Sri Lanka Technological Service Technical officer (Civil) in terms of the letter No. PPSC/ES/07/F1/04/01/2 dated 03 July 2013 of the Provincial Public Service Commission.
- (r) Computer UPS and 200 Computer printers valued at Rs. 29,394,416 had been purchased by the Chief Minister's Office in the year 2012 for the distribution among the schools. Out of these machines, only 100 machines had been handed over to the Ministry of Education after the separating of the Ministry as the education portfolio. Accordingly, it was observed that out of the retained machines, 79 computers, 79 UPS and 85 printers valued at Rs. 11,873,288 had become idle without being distributed among the schools by 25 September 2013.
- (s) Even though a request had been made from the Ministry of Social Welfare, Probation Childcare, Rural Development and Rural Industries for the payment of Rs. 565,500 to 62 persons who met with disaster at 2 Divisional Secretariat in Kegalle District, such money had not been paid even by 02 February 2014.
- (t) There was no permanent security fence in the upper part of Godakawela Hospital and as such a part of the Hospital had been encroached by the persons residing in the boundary. A road across the hospital had been built to enter the private house located in the upper boundary of the hospital and the road had been build by cutting the barbed wire of the security fence.
- (u) Under the authority of filing cases directly against the persons and institutions who maintain mosquito breeding places given to the Public Health Inspectors by the Prevention of Mosquito Breeding Act No. 11 of 2007, 55 cases had been filed in the first quarter of 2012 and collected fines of Rs. 196,000. However, the Embilipitiya office of Health had not filed any cases during the period from April 2012 to 30 October 2013 the date of audit under the above

Act. Further, 248 and 154 dengue patients had been reported in the year 2012 and by the end of September 2013 respectively.

- (v) Even though the Ministry of Health and Nutrition had informed the Hospital by letters to remove the stock of quality failed drugs from use, the receipt of that information by Hospitals had delayed and as such the quality failed drugs had exhausted and a large stock had been issued to the patients by 3 Hospitals in Sabaragamuwa Province.
- (w) Thirteen equipment including refrigerators and deepfreezes valued at Rs. 67,639,425 given during the previous years to 5 institution to improve the milk bars under the supervision of the Vetanory Surgeon Officers by the Department of Animal Products and Health had been idle for periods ranging from 05 months to 04 years by the year 2013. It was observed in audit that follow up action in respect of the process of issuing goods to milk shops had been at a weak level.

6.4 Provincial Road Development and Improvements

The following deficiencies were observed in carrying out audit field test check in respect of 9 Provincial roads constructed during the year under review under the provision of the Ministry of Provincial Road Development Rural Infrastructural Facilities, Tourism and sports and youth Affairs.

<u>Name of Work</u>	<u>Expenditure as at 31.12.2013</u>	<u>Date of inspection</u>	<u>Defficiencies Observed</u>
	Rs.		
Modernization of Pothupitiya - Ilumbakanda Road	1,165,483	12.11.2013	Eighty per cent of Road surface was jagged and made hols.
Construction of a side bund in a Sidurupitiya - Kolambagama Road	153,011	13.11.2013	Not laid rabbles interior side of the bund.
Development of Atalla Gamekanda Road	2,700,521	12.11.2013	Removed part of asphalt and emerged rabbles.
Maintenance of Morathota Amuwatta Road	891,213	05.11.2013	Washed out second asphalt code, broken the road.

Maintenance of Demuwatha Digandala Road	2,009,428	11.02.2014	Removed second asphalt code
Constrution of Road from Thoragala to Kachichigala	932,358	23.08.2013	Certain places in the surface were come down due to non crushing the road properly.
Concreating Kotuwegedara Road	370,000	25.08.2013	¾ rabbles come out in the entire road surface
Construction of Thoragala Methgathwela Channal Road - 3	651,032	23.08.2013	As not crushed well, 1.5 meter pit at 500 meter place and another pits at 20 meter place.
Improvement of Muwagama Balibathgoda Road.	2,485,809	08.03.2013	Broken and cracked the road surface

6.5 Apparent Discrepancies

Two schools at Embilipitiya and Balangoda Education Zones had entered into transactions of fraudulent nature totalling Rs. 144,552 in the years 2012 and 2013.

6.6 Under Utilization of Funds

In terms of Paragraph 21.1 of the Manual of Guidelines on the purchase and distribution of educational quality Input implemented by the Circular No. HRD/PPM/2002/30 dated 04 December 2002 of the Ministry of Education, the heads of schools should spend money allocated for quality input during the year by following the approved procedure. Nevertheless, out of the money received during the year under review and the previous years by 372 schools relating to 4 Zonal Education Offices in Ratnapura District, a sum of Rs. 37,655,096 had remained idle in the bank accounts by the end of the year under review without being spent.

6.7 Idle and Underutilized Assets

Audit sample tests observed that physical resources as analysed below in the various institutions belonging to the Provincial Council had remained idle and under utilized.

<u>Nature of Asset</u>	<u>No.</u>	<u>Value</u> <u>Rs.</u>	<u>Period of Idling</u>
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(a) Lands	19	Not rendered	01 to 08 years
(b) Buildings	29	76,207,544	09 months to 08 years
(c) Motor Vehicles	23	Not rendered	05 years
(d) Machinery	24	1,146,198	13 years
(e) Medical Equipment	38	4,675,143	03 months to 52 years
(f) Office Equipment	594	13,666,687	08 months to 09 years
(g) Others	1,479	695,155	01 yaer to 09 years

6.8 Identified Losses

Shortages of 1336 library books and 125 inventory items in 4 schools relating to the Mawanella and Kegalle Education Zones were revealed and action had not been taken to recover the value of shortages in terms of Financial Rule 55.1.3 of the Sabaragamuwa Provincial Council.

6.9 Deficiencies in the Contract Administration

The following observations are made.

- (a) An overpayment of Rs. 262,435 had been made in respect of 4 constructions implemented by 2 Ministries during the year under review due to such reasons that non - use of standard rates, not obtaining actual measurements correctly etc.
- (b) Demurrage charges of Rs. 100,922 were receivable from a construction work carried out in a school by the Balangoda Zonal Education Office.
- (c) In terms of Section 07 of the Value Added Tax (amendment) Act, No. 14 of 2007 dated 12 April 2007, one third of the valued added tax should be retained and remitted to the Commissioner General of Inland Revenue since 2008. However, one third of the value added tax amounting to Rs. 120,703 had not been retained and paid to the contractors by the Ministry of Provincial Road Development, Rural Infrastructure Facilities Tourism and Sports and Youth Affairs. Even though the information to be included in a Tax Invoice is stated in the Value Added Tax Act, a sum of Rs. 478,037,742 had been paid to 14 construction institutions for 446 vat invoices which appeared to be incomplete and prima false invoices.
- (d) The second stage of the repair work of Specialist Medical Officer's official quarters at Kahawatta Base Hospital had been repaired at an agreed amount of

Rs. 4,585,261 and a sum totalling Rs. 304,818 had been paid for the inside wall plastering work. However, it was revealed at the field inspection carried out on 18 September 2013 that several places in the plastering work, 12 meters in length, were cracked.

- (e) Despite there were 2 wells constructed before and usable for this purpose and a motor house constructed for the same purpose in the year 2011 for the Padalangala water construction project implemented by the Ministry of Provincial Road Development, Rural Infrastructure facilities, Tourism and Sports and Youth Affairs a new well and a new motor house had been constructed by incurring an expenditure of Rs. 141,542 and Rs. 167,720 respectively without paying attention to the existing wells and motor house.

6.10 Delayed Projects

Delays of 10 construction works being implemented by 4 Ministries/Departments were observed due to various reasons.

6.11 Personnel Administration

6.11.1. Excesses and Shortages of Education sector staff

Particulars of excesses and shortages of school Principals and Teachers in the schools belonging to each education zone of the Sabaragamuwa Provincial Council as at 31 December 2013 are given below.

	<u>Ratnapura</u>		<u>Balangoda</u>		<u>Embilipitiya</u>		<u>Nivithigala</u>		<u>Kegalle</u>		<u>Mawanella</u>		<u>Dehiovita</u>	
	<u>Zone</u>		<u>Zone</u>		<u>Zone</u>		<u>Zone</u>		<u>Zone</u>		<u>Zone</u>		<u>Zone</u>	
	Exc	Short	Exc	Short	Exc	Short	Exc	Short	Exc	Short	Exc	Short	Exc	Short
Principals	-	84	-	47	-	43	-	82	-	93	-	66	-	62
Teacher														
1.Primary	-	68	-	87	-	175	-	181	-	95	-	119	-	175
2. Secondary	-	144	-	325	-	365	-	294	100	236	493	60	-	364

It was further observed the following in this connection.

- (a) In terms of Section 3.7.1 of the change of station transfer procedure in the Sabaragamuwa Province Teachers Service and Principals Service Teachers/Principals who serve 6 years in most popular schools or 8 years in popular

schools should be subjected to be compulsorily transferred on a services requirement, even though they do not make requests. Contrary to that, it was observed that there were 1204 teachers in 211 schools attached to two zonal education offices and 62 Principals and Deputy Principals in 61 schools who had exceeded the specific periods.

- (b) There were 1736 uncovered deficiency periods relating to secondary grades in 3 schools attached to 3 zonal education offices in Ratnapura District by the end of the year 2013. As a result, failures percentage at the GCE (OL) examination in 06 schools attached to 2 zonal education offices in the year 2012 for all 9 subjects had been at a high range between 33 to 100.
- (c) According to the Circular No. 2003/38 dated 07 November 2003 of the Ministry of Education teachers who teach subjects 35 periods of average 40 minutes per week and teachers who are in charge of classes in addition to teaching subjects, 33 such periods, teachers who teach Advanced Level classes 30 periods per week should be taught. Nevertheless, it was observed that 36 teachers in 2 schools attached to Embilipitiya Education Zone had been idle for 9530 periods or 6353 hours without doing teaching in the year 2013, contrary to the above circular instructions.
- (d) There were 452 excess teachers and shortages of 468 teachers within the Embilipitiya Education Zone in terms of types of teaching appointments. Despite there was a possibility of covering the shortage of 468 by excess teachers, action had not been taken accordingly.
- (e) Twelve graduate teachers in 07 schools and 7 teachers in the Teachers Service in schools in the Embilipitiya Education Zone had not been assigned to any subject, whereas there were 3 teachers in a school attached to Kegalle Education Zone who had not done any duty but salaries of Rs. 2,387,901 had been paid to them by September 2013 since the year 2009.
- (f) In allocating teachers to 14 classes for 6 subjects in a school attached to Balangoda Education Zone, 106 periods had been allocated to teach the same subject in the same class per week, for 18 teachers.

6.11.2 Excesses and Shortages of staff in the Health Sector

Staff excess and shortages in each service of the Health Sector at various institutional leave are given below.

	<u>Office of the Director of Provincial Health Services</u>		<u>Office of the Ratnapura Director of Health Services and Provincial Hospitals in Ratnapura District</u>		<u>Office of the Kegalle Director of Health Services and Provincial Hospitals in Kegalle District</u>		<u>Base Hospitals At Embilipitiya</u>	
	<u>Excess</u>	<u>Short</u>	<u>Excess</u>	<u>Short</u>	<u>Excess</u>	<u>Short</u>	<u>Excess</u>	<u>Short</u>
Doctors	-	05	05	15	20	35	04	09
Nurses	-	01	-	66	-	21	-	36
Pharmacists	-	-	-	03	-	08	-	15
Public Health Inspectors	-	-	-	07	-	01	-	-
Family Health officers	-	-	-	69	-	44	-	5
Technology	-	-	-	51	-	17	-	-
Attendants	-	-	-	96	-	51	-	34
Labours	-	-	-	27	-	08	01	-
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Total	=	<u>06</u>	<u>05</u>	<u>334</u>	<u>20</u>	<u>185</u>	<u>05</u>	<u>99</u>

The following mater was further observed in this regard.

There was a shortage of 109 persons in the two Hospitals in Kegalle District and the officers of posts such as nurses, dispensers, pharmacists in another Hospital had not been attached and as such it was observed that the relevant activities of those officers had been carried out by Attendants.

6.12 Bank Reconciliations

The following observations are made.

- (a) Action had not been taken in respect of 459 cheques totalling Rs. 3,746,992 issued but not presented for payments and elapsed for more than 06 months in terms of Financial Rule 283.4 of the Sabaragamuwa Province. The follow up action had not been taken in respect of unrealized deposits totalling Rs. 2,458,053 lapsed for more than 06 months.

- (b) The unidentified debits relating to 15 bank accounts totalling Rs. 1,258,985 and the unidentified credits relating to 15 bank accounts totalled Rs. 5,477,631.

6.13 Irregular Transactions

Five transactions valued at Rs. 1,914,355 in irregular nature had been entered in to by 5 Ministries/ Department/ Institutions during the year under review.

6.14 Objectives not Adequately Fulfilled

The following observations are made.

- (a) Thirteen liter pressure cooker given on 28 December 2012 to a member of the Young Farmers Association under the supervision of the Kalawana Agricultural Instructors Office by incurring an expenditure of Rs. 120,000 under 50 per cent subsidiary by the Department of Agriculture had not been utilized up to the date of audit on 06 December 2013 though 11 months elapsed.
- (b) Even though common amenities had been provided by spending Rs. 1,829,725 for the repair of Thotapella clay village as a common service center, two objectives out of 3 had not been achieved due to lack of continuous supervision and follow up. Although 20 persons had been identified as direct beneficiaries of this project only 5 beneficiar had been actively contributed. Further, action had not been taken to appoint the progress control and follow up committee by 31 December 2013.

07. Accountability and Good Governance

7.1 Action Plan

Action plans relating to the year under review had not been prepared by 9 institutions. According to the annual action plan of the Ministry of Lands, Provincial Irrigation, Agriculture, Animal Products and Health and Fisheries out of 239 projects, the physical progress of which should have been completed at a 75 per cent level as at 31 July 2013 works of 201 project had not even been commenced by that date.

7.2 Audit and Management Committees

One audit and Management Committee Meeting each was held by 23 Ministries/ Departments and 2 committee meetings each had been held by 2 Departments in the year under review. Even a single committee meeting had not been held by 3 Ministries/ Departments.

7.3 Procurement Plan

Procurement plans had not been prepared by 11 Institutions for the year under review. In preparing the procurement plan for the year under review by the Ministry of Lands, Provincial Irrigation, Agriculture, Animal Products and Animal Health, attention had not been paid in respect of provisions made in the National Budget Circular No. 128 of 24 March 2006 and it had been prepared without using the specified formats. It had also not been updated within 6 months periods in terms of Paragraph 4.2.1 (e) of the Government Procurement Guidelines.

7.4 Budgetary Control

The following Observations are made.

- (a) In estimating revenue in the year under review relating to 13 revenue codes, revenue had been understated by Rs. 338,159,267 a result of preparing it without considering the actual revenue of the year 2012. Further, the actual income in the year 2012 of all revenue codes had been increased more than the actual income of the year 2011.
- (b) Even though the income of the year 2012 relating to 13 revenue codes amounted to Rs. 207,371,478 the income of the year 2013 amounted to Rs. 164,743,536 thus indicating a decrease of income by Rs. 42,627,942. Attention had not been paid to increase the income by analyzing the reasons therefor.

7.5 Observations on Unresolved Audit Paragraphs

Rectifications in respect of 123 audit paragraphs relating to 6 Ministries/ Departments included in the Auditor General's reports for the period of 5 years from 2001 to 2005 discussed at the Provincial Committee On Public Accounts had not been done.

08. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the attention of the Heads of Institutions of the Sabaragamuwa Provincial Council and the Chief Secretary from time to time. Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting and Financial Control.
- (b) Assets and Human Resource Management.
- (c) Contract Administration.
- (d) Implementation of Projects.
- (e) School Management.
- (f) Hospital Management.