

The audit of financial statements of the Eastern Provincial Council for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and 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 Section 23(2) of the Provincial Councils Act.

1.2 Management's Responsibility for the Financial Statements

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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

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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 Auditing 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 judgment, including the assessment of the 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 the 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 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

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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 Eastern Provincial Council as at 31 December 2014 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 Presentation of Financial Statements for Audit

##### (a) Financial Statements of the Provincial Council Fund

The financial statements of the Provincial Council Fund for the year under review was presented to audit on 18 June 2015.

##### (b) Presentation of other Financial Statements

Progress relating to the presentation of other financial statements of the Provincial Council for the year under review as at 31 May 2015 is given below.

Type of Account	Total number of accounts	Number of accounts presented	Number of accounts not presented as at 31 May 2015
(i) Appropriation Accounts	33	33	-
(ii) Revenue Accounts	02	01	01
(iii) Advances to Provincial Public Officers Accounts	33	32	01
(iv) Commercial Advance Accounts	06	02	04
(v) Fund Account	02	01	01
(vi) Statute Accounts	02	01	01
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Total	<u>78</u>	<u>70</u>	<u>08</u>

(c) The financial statements of the Pre-school Education Bureau of the Eastern Provincial Council for the years 2013 and 2014 had not been submitted to audit even up to 31 August 2015 in terms of Section 9 (2) of the Bureau of Pre-school Education of Eastern Province Act, No. 1 of 2010.

(d) The financial statements of the Governor's Trust Fund of the Eastern Province for the years 2013 and 2014 had not been submitted to audit even up to 31 August 2015 in terms of PFR 258.

(e) Consolidated Arrears of Revenue Account of the Eastern Province for the years 2013 and 2014 had not been submitted to audit even up to 31 August 2015 in terms of PFR 258.

## 2.2.2 Comments on Appropriation Accounts

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The following observations are made.

- (a) The entire net provision aggregating Rs. 30,114,650 made under 59 Items of Expenditure of 19 Heads of Ministries and Departments had remained unspent.
- (b) Liabilities exceeding the Provision by Rs. 44,331,891 had been committed under 68 Items of Expenditure of 13 Heads of Ministries and Departments.
- (c) Sums aggregating Rs. 247,006,215 spent for capital expenditure by 04 Provincial Ministries and 07 Departments during the year under review had not been shown in the Appropriation Accounts under Movement of Non-current Assets in terms of the Provincial Treasury Circular No. PT/02/2015 dated 30 January 2015.

## 2.2.3 Advances to Public Officers Accounts

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Staff loan balances of 21 Ministries and Departments of the Provincial Council aggregating Rs.51,441,155 had remained unrecovered for periods ranging from 2 to 10 years. These unrecovered balances consisted of balances aggregating Rs.46,247,034 due from officers who had gone on transfers in 12 Ministries and Departments of the Provincial Council, balances aggregating Rs. 4,176,641 due from deceased and retired officers and officers who had vacated the posts and balances aggregating Rs. 1,017,480 due from 20 ex-members of the Provincial Council.

## 2.2.4 Imprest Accounts

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All imprest should be returned to the Provincial Treasury on the first working day of next financial year. However, imprest balances of 03 Departments aggregating Rs.6,486,095 as at the end of the year under review had not been returned to the Provincial Treasury up to 20 August 2015.

## 2.2.5 General Deposit Accounts

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Deposits aggregating Rs. 78,941,796 relating to 02 Ministries and 12 Departments had existed over 02 years. However, action in terms of FR 571 had not been taken up to the end of the year under review.

## 2.2.6 Commercial Advance Accounts

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The following observations are made.

- (a) Out of 06 Commercial Advance Account Activities, 03 Commercial Advance Account Activities were not in operation for more than 06 years. However, action in terms of Provincial Financial Rule No. 286 had not been taken to wind up those 03 Commercial Advance Account Activities.
- (b) The physical verification carried out on 13 may 2015 at the Textile Sales Centre, Ampara of the Department of Rural Industries revealed a shortage of textiles to the

value of Rs. 316,132. However, the Department of Rural Industries had not taken action against the officer who is responsible for shortage of textiles. Details of shortage of textiles are given below.

	Rs.
Value of textiles at the Sales Centre and Stores as per Stock Register	1,881,047
Less:- Value of textiles at the Sales Centre and Stores, Ampara as per physical verification	<u>1,564,915</u>
Value of shortage	<u>316,132</u>

#### 2.2.7 Accounting Deficiencies

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The following accounting deficiencies were observed.

- (a) A sum of Rs. 783,645,847 payable to the local authorities as at the end of the year under review with regard to collection of stamp duties and court fines had not been brought to account. Therefore, the total liabilities as at 31 December 2014 had been understated by a similar amount.
- (b) The balance of the Accumulated Fund as at the end of the previous year amounting to Rs. 1,343,559,003 had been brought forward at the beginning of the year under review as Rs. 2,002,133,322. However, the reason for the change of balance of the Accumulated Fund had not been disclosed in the financial statements.
- (c) Net increase in the deposits during the year under review as compared with the previous year amounted to Rs.25,052,490. However, a sum of Rs.549,117,952 had been shown in the cash flow statement as cash inflow from deposits. Therefore, cash inflow from deposits had been overstated by Rs. 524,065,462
- (d) Net increase in the recovery of advances to public officers during the year under review as compared with the previous year amounted to Rs.802,929. However, the above mentioned value of cash inflow had been shown in the financial statements as cash outflow from recovery of advances to public officers. Therefore, cash inflow from advances to public officers had been understated by Rs.1,605,858.
- (e) Various types of 620 vehicles belonging to the Provincial Council had not been valued and brought to accounts.

#### 2.2.8 Unexplained Differences

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The following differences were observed.

- (a) A difference of Rs. 17,549,097 was observed between the balance shown in the financial statements and the balance shown in the records maintained by the Department of Health Services relating to Deposit Account.
- (b) A difference of Rs. 1,579,027 was observed between the balance shown in the financial statements and the balance shown in the records maintained by the Ministries and

Departments relating to the total balance of recurrent and capital expenditure for the year 2014.

2.2.9 Lack of Evidence for Audit

(a) Answers for 07 audit queries issued during the year under review and the previous year had not been furnished up to 15 September 2015 and the value of quantifiable transactions subjected to those queries amounted to Rs. 5,953,812.

(b) Evidence indicated against the following item of accounts had not been furnished to audit.

Item	Amount	Evidence not made available for Audit
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	Rs.	
Land	38,467,833	} Title deeds, Register of Fixed Assets. Register of Fixed Assets, Report of the Board of Survey.
Vehicles	110,572,807	
Furniture and Office Equipment	283,456,871	
Plant, Machinery and Equipment	148,267,388	
Building and Structure	1,444,686,582	
Other Non-current Assets	<u>39,834,175</u>	
	<u>2,065,285,656</u>	

2.2.10 Non-compliance with the provisions of Laws, Rules and Regulations

Instances of non-compliance with the provisions in the laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
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(i) FR 138	Payments amounting to Rs.10,961,634 had been made for 32 vouchers of the Ministry of Education without the certification of the certifying officer.
(ii) FR 396	One hundred and thirty eight cheques valued at Rs.1,178,972 issued by 03 Ministries and 12 Departments had not been presented for payment for more than six months. However, action in terms of the FR had not been taken with regard to such unrepresented cheques.

(b) Financial Regulations of the  
Eastern Province

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(i) PFR 219.2

The maximum ad hoc sub-impresst that can be granted to a staff officer in one instance is limited to Rs.50,000. However, The Department of Sports had granted sub impressts aggregating Rs.1,204,650 in 10 instances exceeding the maximum limit.

Even though the ad-hoc sub-impressts granted should be settled immediately after the completion of the purpose for which they were granted, the ad-hoc sub-impressts aggregating Rs.174,600 granted by the Department of Sports had been settled after a delay of periods ranging from 32 to 82 days.

(ii) PFR 326.2

Consolidated Fixed Assets Utilization Statement as at the end of the year 2014 should have been presented to the Auditor General on or before 30 April 2015. However, this statement for the years from 2008 to 2014 had not been prepared and presented by the Provincial Council even up to 20 August 2015.

(iii) PFR 365

Annual Boards of Survey had not been carried out for the year under review by 02 Ministries and 05 Departments even up to 20 August 2015.

(iv) PFR 437

Vehicles used over 5 years from the date of registration should not be obtained on hire basis. However, 04 vehicles used over 05 years from the date of registration had been obtained on hire basis by the Ministry of Health and Indigenous Medicine during the year under review for the use of Hon. Minister, Private Secretary, Co-ordinating Secretary, Public Relation Officer and a Member of Provincial Council.

Further, the maximum period of agreement for hiring of vehicles should not be more than six months. However, the Ministry had obtained 06 vehicles on hire basis for a period of 12 months.

(c) Circular  
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- (i). Circular No. 01/2001 dated 28 March 2001 of the Ministry of Local Government and Provincial Councils According to the Circular provision, out of the two persons, one person should be an income tax payer to sign as sureties for granting loans to the members of the Provincial Council. However, loans aggregating Rs.4,600,000 had been granted to the members of the Provincial Council during the year under review by getting surety only from another member of the Provincial Council. As a result, the Provincial Council was unable to take action against 20 members who had defaulted to repay the loan balances of Rs. 1,017,480 as at 31 December 2014.
- (ii). Circular No. SEC/2013/07 dated 01 September 2013 of the Department of Inland Revenue The PAYE tax aggregating Rs. 119,755 had not been deducted from monthly salaries of two officers of the Provincial Public Service Commission when paying monthly salaries for the period from 01 September 2013 to 31 December 2014.
- (iii). Provincial Treasury Circular No. PT/09/2014 dated 24 November 2014 Action in terms of provisions had not been taken to close the cash book as at the end of the year under review by the Provincial Public Service Commission even up to 17 July 2015.

3. Revenue Management  
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According to the information made available for audit, the total income collected during the past 05 years is given below.

Particulars	For the year ended 31 December				
	2014	2013	2012	2011	2010
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	Rs.Mn	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.
Tax Income	2,181	1,860	1,496	1,354	951
Non Tax Income	<u>320</u>	<u>288</u>	<u>309</u>	<u>198</u>	<u>224</u>
Total	<u>2,501</u>	<u>2,148</u>	<u>1,805</u>	<u>1,552</u>	<u>1,175</u>

The following observations are made in this regard.

- (a) According to the Revenue Estimate prepared by the Provincial Council for the year 2014, the estimated revenue from liquor licence fees amounted to Rs.25,000,000. However, only a sum of Rs.16,304,513 had been collected during the year under review as liquor licence fees.

- (b) The Provincial Council had not possessed particulars of authorized liquor dealers functioning within the Province. As a result, the Provincial Council could not take action against the dealer who has defaulted to pay the licence fee. It was further observed that any single amount had not been collected by the Provincial Council as liquor licence fee from Trincomalee District for the year under review.
- (c) Collections made relating to fines imposed by the courts situated within the area of local authorities in terms of statutory provisions and the stamp duties imposed relating to transfer of properties had been retained by the Provincial Council without being remitted to the respective local authorities as those local authorities had not made request for it. In this regard, a sum of Rs. 783,645,847 had been lying in the savings accounts of the Provincial Department of Revenue as at 31 December 2014 without being remitted to the relevant local authorities.
- (d) Forty four local authorities functioning in the Eastern Province had not taken proper action to collect the income totalling Rs. 522,113,354 remained outstanding as at 31 December 2014 from the major sources of income such as rates, rents, lease etc. Details are given below.

Local Authority	No. of Local Authorities	Total amount of arrears
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		Rs.
Municipal Councils	3	181,318,598
Urban Councils	5	156,282,052
Pradeshiya Sabhas	<u>36</u>	<u>184,512,704</u>
Total	<u>44</u>	<u>522,113,354</u>

- (e) Lease income for government lands relating to the following 04 Divisional Secretariats totalling Rs.73,171,230 had remained as arrears from year 2009 up to 30 June 2015. However, proper action had not been taken to recover those arrears of income.

Name of the Divisional Secretariat	Arrears of Income up to 30 June 2015
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	Rs.
Sammanthurai	513,975
Manmunai North	48,538
Town and Gravets	9,928,771
Kuchchaweli	<u>62,679,946</u>
	<u>73,171,230</u>

#### 4. Financial Review

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##### 4.1 Financial Results

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According to the financial statements presented, the operations of the Provincial Council for the year under review had resulted in a surplus of Rs. 1,349,317,960 as against the deficit of Rs. 16,049,131 for the preceding year, thus indicating an improvement of Rs. 1,365,367,091 in the financial results.



## 4.2 Analytical Financial Review

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Total expenditure of the Provincial Council for the year under review was Rs. 20,649 million and out of this, a sum of Rs. 15,754 million had been incurred for recurrent expenditure and it represented 76 per cent of the total expenditure. Out of the total recurrent expenditure, a sum of Rs. 12,477 million had been incurred for personal emoluments and it represented 79 per cent of the total recurrent expenditure and the corresponding recurrent expenditure for the preceding year amounted to Rs. 14,041 million and it represented 67 per cent of total expenditure for that year.

## 5. Operating Review

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### 5.1 Performance

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The following observations are made.

- (a) According to the Action Plan of the Provincial Public Service Commission for the year 2014, the Commission should conduct 22 Efficiency Bar (EB) examinations during the year under review for the officers of the intuitions coming under the purview of the Eastern Provincial Council . However, only 7 EB examinations had been conducted during the year under review.
- (b) The Provincial Department of Sports had purchased sportswear to the value of Rs.1,122,903 during the period from 2011 to 2013 in order to distribute them among the registered Sports Clubs in the Eastern Province. However, those sportswear items had been kept at the stores even up to 26 January 2015 without distributing them to the Sports Clubs.
- (c) Funds allocated to a particular Ministry or a Department under the Provincial Specific Development Grant (PSDG) should have been utilized by the relevant Ministry or Department for the purpose for which it was allocated. However, sums aggregating Rs. 1.5 million allocated to the Department of Irrigation during the years 2013 and 2014 to carry out the works relating to dredging of drainage channel from Meenodikattu to Muhathuvaram in the Ampara district had been utilized to reimburse the voucher submitted by the Director of Irrigation of the Ampara Zone functioning under the Central Government without utilizing by the Department itself for the purpose for which it was allocated.

### 5.2 Operating inefficiencies

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The following observations are made.

- (a) Sixty two medical institutions functioning in the Eastern Province had obtained excess drugs from the Medical Technology and Supply Division Colombo without considering the actual requirement. As a result, drugs valued at Rs.21,644,508 obtained during the

period from the year 2010 to 2014 had expired and those expired drugs had been kept at the stores up to 14 August 2015. Details are given below.

District	No. of medical institutions	Total Value of Drugs Expired
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		Rs.
Trincomalee	12	6,168,640
Batticaloa	23	12,727,805
Ampara	<u>27</u>	<u>2,748,063</u>
Total	<u>62</u>	<u>21,644,508</u>

- (b) Fourteen types of quality failed drugs to the value of Rs.4,844,631 had remained at the stores of the Base Hospital, Muthur as at 31 December 2014 and also 146 types of quality failed drugs valued at Rs.3,521,740 had remained at the Regional Medical Supplies Division, Trincomalee as at 09 March 2015. However, the Regional Director of Health Services - Trincomalee had not taken proper action in this regard.
- (c) Ex-members of the Provincial Council had obtained 37 laptops and 37 fax machines during the period from 2008 to 2011 and out of them 12 laptops and 12 fax machines had been returned back to the Provincial Council after the dissolution of Council on 27 June 2012. However, the balance 25 laptops and 25 fax machines valued at Rs.4,524,250 had not been returned back even up to 14 August 2015.
- (d) The Chief Minister's Secretariat had provided fifteen items of furniture and office equipment such as Laptops, I-Pads, Chairs, Computers, TV, TV Stand, Executive Table, Printer, Table Fan, Pinnacle card, computer set and Almirah for the use of former Chief Minister and his personal staff during the period from year 2008 to year 2012. However, those items had not been returned back even up to 14 August 2015, even though the tenure of the former Chief Minister was ended on 27 June 2012.
- (e) The Provincial Department of Health Services had procured 58 medical equipment to the value of Rs. 87,456,500 under the Second Health Sector Development Project (SHSDP) during the year 2014. The following matters were observed in this regard.
- (i) In terms of Section 4.2.1 of the Procurement Guidelines – 2006, a Master Procurement Plan (MPP) should be prepared relating to purchase of medical equipment. However, the Office of the Provincial Director of Health Services had not prepared the MPP for purchase of medical equipment.
- (ii) According to Section 3.8 of the Procurement Guidelines - 2006, a contract agreement should be entered into with the supplier when the value of goods exceeds Rs.1 million. However, the procurement of the above mentioned medical equipment had been made by the Department without entering into agreement.

- (iii) According to Section 6 of the Bidding Document, the supplier should supply the medical equipment within 30 days from the date of award and if the supplier has failed to do so, he is liable to pay a penalty of 0.5 per cent per week. However, the penalty of Rs.428,352 had not been recovered from the suppliers, even though 11 medical equipment had been delivered after a delay of 30 days.
- (f) The Livestock Farm of the Department of Animal Production and Health had purchased five types of drugs at a total value of Rs. 576,660. However, the Livestock Farm had not taken action to use those drugs for the relevant purpose before the date of expiry. Therefore, the money spent to purchase the above mentioned drugs had become a fruitless expenditure.

### 5.3 Transactions of Contentious Nature

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The following observations are made.

- (a) The Provincial Council had granted approval during the years 2011 and 2012 for 18 officers to follow Master of Public Administration Degree Programme at the Postgraduate Institute of Management with the condition that they should reimburse the entire expenses incurred on the Degree programme to the Provincial Council if the officers have failed to complete the Degree courses. However, the Provincial Council had not taken action to recover a sum of Rs. 380,000 from officers who have failed to complete the course of study.
- (b) The Provincial Department of Education had purchased shoes and school bags by spending Rs.536,428 on 29 December 2014 in order to distribute among the needy students. The following matters were observed in this regard.
  - (i) The purchase of the above mentioned 263 pairs of shoes and 263 school bags had been made based on a survey report prepared by a Non-Governmental Organization in 2013 for some other purpose. However, concurrence of the principals of the relevant schools and the Zonal Directors of Education had not been obtained in this regard.
  - (ii) According to the Inventory Register maintained by the stores of the Department of Education, the above mentioned shoes and school bags had been purchased on 29 December 2014 and distributed among the schools on the same date. However, according to the statements obtained from the Principals of the relevant schools, those shoes and school bags had not been distributed even up to 23 July 2015.
- (c) Several schools in the Eastern Province had not allowed students who had not performed well to sit for the G.C.E O/L Examination in order to maintain the standard of the Schools. As a result, students had to leave the schools without any educational qualification and also this practice will badly affect the higher education of the relevant students. Some of the instances observed in this regard are given below.

Name of the School	Total No. of students at the G.C.E O/L Class in 2014	Total No. of students allowed to sit for G.C.E. O/L Exam-2014	Total No. of students not allowed for G.C.E. O/L Exam - 2014
T/Kin/Siraj MMV, Kantala.	53	28	25
T/Kin/Al-Aksa Vidyalaya	111	97	14
T/Kin/Kinniya MMV	138	129	09
T/Nilaveli Kaileswara College	56	44	12
T/Mu/Al-Hilal Madya Kalloori	45	36	09
T/Mu/Al-Hidaya Maha Vidyalaya	53	37	16
T/Kin/Abdul Majeed Vidyalaya	12	09	03

#### 5.4 Apparent Irregularities

The following observations are made.

- When making payment for stores items, the certifying officer should ensure that the articles have been received and that they have been brought on charge in the appropriate inventory or stock book. However, the Provincial Department of Sports had issued 49 cheques at a total value of Rs. 7,387,319 at the end of the year under review without receiving any article from the relevant institutions.
- Even though issuing open cheques is prohibited, the Provincial Department of Sports had issued two open cheques at a total value of Rs. 272,070.
- The Department of Sports had released its official vehicle to a very close relative of the Provincial Director of this Department, to travel to Colombo. It was further observed that the particular person had replaced all 04 tyres of the vehicle as one tyre got to puncture on the way to Colombo. Therefore, the Department had issued a cheque for Rs.137,000 to an enterprise in Colombo for the purchase of the above tyres. However, the name of the payee of this cheque had been altered on the direction of the Provincial Director and this cheque had been encashed from a bank in Trincomalee.

#### 5.5 Utilization of Funds

The following observations are made.

- The Department of Health Services had obtained funds amounting to Rs.180,000,000 during the year 2014 from the Second Health Sector Development Project to carry out activities on Health Sector Development Programme. Out of the above fund, a sum of Rs.36,686,574 had been kept in the Deposits Accounts without being utilized for the intended purposes.

- (b) The Provincial Council had allocated funds for each Provincial Ministry and Department under the PSDG to carry out development activities. Accordingly, the Ministry of Agriculture and the Department of Rural Development had obtained Rs. 1 million and Rs. 1.485 million respectively under the PSDG during the year 2014 for the purpose of rural electrification. However, these funds had been released to the Ministry of Road Development for another purpose without carrying out the activities for which they were allocated.

## 5.6 Idle and Underutilization of Assets

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The following observations are made.

- (a) Fifteen vehicles belonging to the Provincial Department of Health Services had remained idle at the Supply Division for periods ranging from 01 to 03 years. However, action had not been taken to repair them or sell them by auction.
- (b) Fifteen Mahindodaya Laboratories had been constructed in selected schools in the Eastern Province at a total cost of Rs. 125,542,617 under the Transforming School Education as the Foundation of Knowledge Hub Project (TSEP) and handed over to the relevant schools during the year 2014. However, out of these Laboratories only 02 Laboratories are being utilized by the students at present and the balance 13 laboratories constructed at a total cost Rs.108,203,113 had not been utilized even up to 14 August 2015 and also the furniture and equipment supplied to the laboratories at a total cost of Rs.58,114,331 under the Annual Implementation Plan for the year 2014 had remained idle for over one year. It was further observed that 325 computers purchased during the year 2014 at the total cost of Rs.24,527,750 and given to the above mentioned Laboratories had remained idle for more than 01 year.
- (c) It was observed at the physical verification carried out at the Office of the Medical Officer of Health, Addalachenai on 07 July 2015 that three medical equipment valued at Rs. 115,000 had been kept at the stores for more than one year without being used for the intended purposes.
- (d) The Department of Agriculture had constructed a Sales Centre at Alayadivembu, Akkaraipattu in 2012 at a cost of Rs 5.25 million in order to provide marketing facilities for 30 per cent of the agricultural and dairy products in the area. However, this Centre had not been utilized even up to 07 July 2015 for that purpose. It was further observed that, a sum of Rs 8,998 had to be paid by the Department as arrears of water bill charges. But, there was no documentary evidence to prove that any person or institution had used this Sales Centre up to 07 July 2015.
- (e) The UNHCR had donated a building to the value of Rs. 18 million to the Department of Social Services in the year 2012 to establish a Safe House in Trincomalee to provide safe residential facilities for the victims of domestic violence and the NRC had also donated necessary equipment for this building in the year 2013. However, this building and the equipment supplied to the building had not been utilized for the relevant purposes up to 01 April 2015. It was further observed that the Department had paid security service charges amounting to Rs.1,092,000 and electricity charges amounting to Rs. 48,200 from 14 March 2013 for the Safe House even though it had not been utilized for any purpose.

- (f) The Ministry of Health and Indigenous Medicine had constructed an ICT Education Centre at Allainagar in Muthur at a cost of Rs. 1.99 million in the year 2013. However, this Center had remained idle even up to 04 August 2015. It was further observed that ICT equipment and accessories purchased in 2014 at a total cost of Rs.960,000 to install at the ICT Centre had not been installed even up to 04 August 2015.

## 5.7 Identified Losses

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Ministries and Departments coming under the purview of the Provincial Council had spent considerable amount of Public funds to repair their vehicles and those vehicles had been discarded after spending very large amount as repair cost. Some of the instances observed in this regard are given below.

- (a) A Vehicle belongs to the Ministry of Road Development purchased in 2008 at a cost of Rs.8 million had met with an accident at Wellawaya on 08 October 2014. The following observations are made in this regard.
- (i) The Ministry had not maintained daily running charts and monthly performance summaries or any other record relating to this vehicle. Therefore, it was unable to obtain information such as name of the officer who travelled in the vehicle at the time of accident and the purpose of visit.
  - (ii) As soon as a loss or damage occurs, inquiries should be instituted to ascertain the extent and cause of loss and to fix the responsibility in terms of FR 104(1). However, a formal inquiry had been conducted after 11 months from the date of accident.
  - (iii) Even though a Board of Inquiry was appointed in the month of 31 March 2015, it had not ascertained the extent of loss and fixed the responsibility for losses.
  - (iv) The Insurance Company had refused to accept the insurance claim as the Ministry had delayed to inform to the Insurance Company about this accident. Therefore, the Ministry was unable to obtain compensation for this loss.
  - (v) This vehicle had been parked at a private garage from the date of accident without taking action to repair it.
- (b) A vehicle belongs to the Ministry of Agriculture purchased in 2008 at a cost of Rs.8 million had met with accidents at Kollupitiya on 27 May 2013 and again at Yakkala on 24 July 2013. The following observations are made in this regard.
- (i) The Driver had not informed to the nearest police station to obtain police report for these accidents according to FR 103 (1).
  - (ii) As soon as a loss or damage occurs, inquiries should be instituted to ascertain the extent and cause of loss and to fix the responsibility in terms of FR 104(1). However, a Board of Inquiry had not been appointed in this regard up to now.

- (iii) Even though this vehicle had been purchased at a price of Rs. 8 million, a total sum of Rs. 4.96 million had been spent to repair this vehicle during the six year period. However, this vehicle had been condemned after incurring very large amount as repair cost.

## 5.8 Deficiencies in Contract Administration

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The following observations are made.

- (a) The Ministry of Agriculture had awarded the contract to a company to supply and install 10 units of solar power lights at the rate of Rs. 104,750 and the Ministry had spent a total sum of Rs.1,047,500 during the year 2014 from the funds allocated under the Provincial Specific Development Grant (PSDG). However, the Ministry of Road Development had also awarded contract to the same Company to supply and install the same type of solar power lights during the same period at the rate of Rs. 165,000. Therefore, the Ministry of Road Development had overpaid a sum of Rs. 1,265,250 to install 21 units of solar power lights at Konawatta, Addalaichchenai. It was further observed in this regard that the same officer had been appointed as Chairman of the TEC for the Ministry of Agriculture and as a member of the TEC for the Ministry of Road Development for awarding the above mentioned two contracts to the same Company.
- (b) The Department of Agriculture had constructed an office Building of the Deputy Director of Agriculture Ampara in 2010 at a total cost of Rs.12,020,000. The following observations are made in this regard.
- (i) The land on which this office building constructed had not been vested to the Department of Agriculture up to the end of the year under review.
- (ii) Procedures laid down by the Urban Development Authority (UDA) had not been complied with by the Department before execution of construction of this office building. Therefore, the UDA had considered it as an unauthorized construction.
- (iii) Due to the negligence of the responsible officers, the required approval and clearance certificates had not been obtained prior to the construction of this building. As a result, the UDA had imposed a service charge to the value of Rs.1,009,800 for not obtaining prior approval from the UDA and also a sum of Rs. 16,000 had to be paid as lawyer's fees with regard to a court case instituted by the UDA against the Department.
- (iv) The Deputy Director of Agriculture, Ampara had requested clearance certificate from the Urban Council, Ampara with regard to construction of this office building. However, the Urban Council had refused to provide clearance certificate due to the following reasons.
- This building has been constructed within the road limit of the Road Development Authority.

- This building has been constructed without providing access facilities for disable persons.
- (v) The RDA had imposed a fine of Rs. 10,000 as this building had been constructed within the road limit of the RDA.

## 5.9 Personnel Administration

Information relating to approved cadre and actual cadre of the Provincial Council as at 31 December 2014 appears below.

### (a) Ministries/ Departments of the Provincial Council

Category of Staff	Approved	Actual	Vacancies	Excesses
Senior Level	1,583	1,306	277	-
Tertiary Level	1,750	1,458	292	-
Secondary Level	24,873	24,910	-	37
Primary Level	<u>7,411</u>	<u>6,666</u>	<u>745</u>	<u>-</u>
	<u>35,617</u>	<u>34,340</u>	<u>1,314</u>	<u>37</u>

### (b) School Staff

District	Approved Cadre		Actual Cadre		Excesses	Vacancies
	Principal	Teachers	Principal	Teachers	Teachers	Principal
Trincomalee	342	4,496	271	4,612	116	71
Batticaloa	425	5,585	306	5,668	83	119
Ampara	<u>514</u>	<u>7,007</u>	<u>439</u>	<u>7,663</u>	<u>656</u>	<u>75</u>
Total	<u>1,281</u>	<u>17,088</u>	<u>1,016</u>	<u>17,943</u>	<u>855</u>	<u>265</u>

The following observations are made in this regard.

- (i) Total number of excess teachers existed at the Zonal Education Offices, Muthur, Kinniya, Batticaloa West and Paddiruppu as at 31 December 2014 stood at 235, whereas, the total number of vacancies for teachers existed at the Zonal Education Offices, Trincomalee, Trincomalee North and Kalkuda stood at 70. However, the Provincial Department of Education had not taken action to fill the vacancies for teachers by transferring teachers from the schools where teachers are in excess.
- (ii) Total number of vacancies for Principals existed within the Province as at 31 December 2014 stood at 265, whereas, total number of officers possessing principal grade but not performing as Principals stood at 239. However, action had not been taken to fill the vacancies for the posts of Principal by transferring officers from the schools where officers possessing principal grade but not performing as Principals.



(iii) Excess and shortage of Teachers for core subjects such as Mathematics, English and IT had existed at the following Zonal Educational Offices but action had not been taken to balance the excess carder against the shortage carder within the Province.

Educational Zone	English		Maths		Science		ICT	
	No. of Excess	No. of Shortage	No. of Excess	No. of Shortage	No. of Excess	No. of Shortage	No. of Excess	No. of Shortage
<u>Trincomalee</u>								
Trincomalee	-	31	-	28	08	-	-	08
Trincomalee North	-	14	-	14	-	17	08	-
Muthur	-	70	-	36	-	09	04	-
Kinniya	-	14	-	31	03	-	-	08
<u>Batticaloa</u>								
Batticaloa Central	-	41	-	26	23	-	-	15
Batticaloa West	-	35	-	45	-	30	-	03
Kalkudah	-	46	-	54	-	21	-	14
<u>Ampara</u>								
Kalmunai	06	-	-	08	65	-	-	26
Sammanthurai	-	39	-	08	27	-	-	04
Akkaraipattu	32	-	-	16	56	-	-	08
Thirukkivil	-	22	02	-	13	-	-	02

(c) Staff of the Health Sector

Excess and shortage of health officers had existed at the Offices of Provincial Director of Health Services (PDHS) and Regional Director Health Services (RDHS). However, action had not been taken to balance the excess carder against the shortage carder within the Province. Details are given below.

Designation	Office of the Regional Director of Health Services							
	Ampara		Kalmunai		Batticaloa		Trincomalee	
	No. of Excess	No. of Shortage	No. of Excess	No. of Shortage	No. of Excess	No. of Shortage	No. of Excess	No. of Shortage
Nursing Officer	-	23	06	-	-	53	-	22
Public Health	-	07	03	-	-	01	-	09
Inspector								
Public Health	-	25	03	-	-	18	-	20
Midwife								
Attendant	-	06	-	23	-	38	28	-
SKS (Junior)	16	-	45	-	29	-	-	16

6. Accountability and Good Governance

6.1 Action Plan

The Provincial Council, 05 Provincial Ministries and 28 Provincial Departments had not prepared Action Plans for the year under review.

6.2 Audit and Management Committee

The Audit and Management Committee should meet at least once a quarter in terms of paragraph 06 of the Management Audit Circular No.DMA/2009(1) dated 09 June 2009. However, 18 Departments had not conducted even a single meeting of the Audit and Management Committee during the year under review.

6.3 Procurement Plan

The Ministries, Departments and Institutions of the Provincial Council had not prepared Procurement Plan for the year 2014 in terms of the National Budget Circular No.128 dated 24 March 2006.

6.4 Observations on Unsettled Audit Paragraphs.

A sum of Rs. 2,000,000 had been paid as an advance to the former Secretary to the Chief Minister out of the Provincial Funds for conducting Korean language classes for 250 unemployed youths in the Batticaloa district during the year 2008. However, the Korean language classes had not been conducted as envisaged and the above mentioned advance had not been recovered even up to 14 August 2015. In this regard the Provincial Public Accounts Committee at its meeting held on 14 October 2013 had given directive to the Secretary to the Chief Minister to submit a comprehensive and progressive report within one month. However, such a report had not been submitted to the Committee even up to 15 May 2015.

7. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Debtors and Creditors Control
- (d) Contract Administration
- (e) Utilization of Vehicles
- (f) Personnel Administration