

Central Provincial Council -2017

The audit of financial statements of the Central Provincial Council for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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

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 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 the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of 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 Audit 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 Central Provincial Council as at 31 December 2017 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 financial statements of the Provincial Council for the year ended 31 December 2017 had been presented for the audit on 31 March 2018.

2.2.2 Other Accounts

The progress of presentation of accounts for the year under review as at 31 March 2018 is given below.

Name of the Accounts	Accounts for the year 2017	
	Total No. of Accounts	No. of Accounts Presented
(i). Appropriation Accounts	34	34
(ii). Advances to Provincial Council Officers' Accounts	66	66
(iii). Loan Facilities Advance Account to Provincial Councilors	01	01
(iv). Commercial Advance Accounts	08	08
(v). Fund and Statute Accounts	04	04
(vi). Revenue Accounts	02	02
Total	115	115

2.2.3 Accounting Policies

The following facts were observed.

- Even though it has been stated that the accounting should be done on accrual basis in accordance with the circular No.PED/POL/CIR/2013-3 of the Director General of Department of Public Enterprises dated on 02 October 2013, the Provincial Council had not been followed that rule.
- A total sum of Rs.42,818,377 spent on purchasing capital assets during the year under review and the expenses done for purchasing capital assets during the last years had not been disclosed in the financial statements and no disclosures had been done relating to the accounting policies to be followed in preparation of accounts on fixed assets.

2.2.4 Accounting Deficiencies

The following observations were made.

- (a) The annual revenue was overstated by Rs.790,620 due to the recording of the stamp duty income for the year under review as Rs.7,537,635 even though it is stated in the court documents as Rs.6,747,015.
- (b) A total sum of Rs.286,799 in 2 collection accounts had been understated in the statements of financial position and in the cash and bank balance.

2.2.5 Accounts Receivables and Payables

(a) Accounts Receivable

The following facts were observed.

- (i) The imprest balances of total sum of Rs.10,882,342 relating to 8 institutions in the central provincial council for 14 years from the year 2003 to 2017 had not been settled as at 31 December in the year under review.
- (ii) Actions had not been taken to settle the expenses of Rs.142,699,951 done under the advances by the Provincial Health Department.

(b) Accounts Payable

The following facts were observed.

- (i) Actions had not been taken to settle the total balance of Rs.5,734,703 under the loan balance settling account relating to inter provincial transfers of 11 institutions.
- (ii) Action had not been taken to settle the balance of Rs.1,969,736 in the Resource center advance account to the ministry of industries which has been brought forward since several years.

2.2.6 Lack of Evidence for Audit

An age analysis relating to a total sum of Rs.433,489,306 of 69 institutions in the Central Provincial Council had not been presented for the audit.

2.2.7 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with to laws, rules, regulations and management decisions observed in the sample audit examinations are stated as follows.

Reference to Laws, Rules, Regulations and Management Decisions.	Non-compliance
---	----------------

(a) Statutory orders

- | | |
|--|--|
| (i) The Public Service Employee Providence Fund Ordinance No.18 of 1942 revised from Employee Provident Fund Act No.17 of 2013 | An amount of Rs.35,101,771 and Rs.23,401,175 Contributions to be paid by the employer and the employee respectively to the Employee Provident Fund consecutively based on the total allowance of Rs.292,514,758 paid to 249 persons including members, chairman and personal staff of the leader of the opposition since 2013 to 31 December 2017 had not been credited to the fund. |
| (ii) Government Lands Ordinance No.08 of 1947 order vi (b) in 217(2) | An amount of Rs.480,000 had been under collected for the year under review from the palleya large scale water project situated in Patha Hewaheta divisional secretariat territory due to the non-revision of the annual tax once per 5 years. |

- (iii) Paragraph (c) of section 19 in Provincial Council Act and Central Province Finance Rule 2.1
- A total sum of Rs.4,156,000 worth of receipts which should be credited to the Provincial Council Fund from 4 institutions had been credited to the welfare society accounts of those institutions.
- (iv) Gem and Jewellery Authority Act No.50 of 1993
- The licenses had been issued by the Thumpane Divisional Secretariat office to a jewellery institution which had not being registered under this Act.
- (v) Paragraph xiv of Inland Revenue Act No.10 of 2006 and the circular No.SEC/2015/05 dated 06 July 2015
- An amount of Rs.494,845 worth of payee tax was under collected relating to 27 employees in 2 institutions should be remitted to the commissioner General of Inland Revenue
- (vi) Sections 143 and 147 in paragraph xii of Extra ordinary Gazette No.1589/30 dated 20 February 2009
- Event
hough it has been passed 1 to 26 years by releasing 15 teachers in 12 schools relating to 3 zonal Education Offices to the active service of Sri Lanka Army' the approval had not been taken from the authorized person for appointment and 8 teachers who were released to 3 zonal offices had not been reported to teacher service again even though 5 years period exceeded.
- (vii) The Gazette No.1963/30 dated 20 April 2016
- According to the reports of the Provincial Informal Education Unit, 848 non schooling children in between 5 to 16 years age had been identified in 2017, and actions had not been taken to make schooling further relating to 223 children.

(viii) Sub paragraph 3 of section 56 in the Central Provincial Code of Task Procedure Rule

3 supplementary estimates worth of Rs.6,842,009,245 had been approved by presenting to the Provincial Council directly during the year 2017 without the approval of the provincial cabinet.

(b) Establishment Code of the Democratic Socialist Republic of Sri Lanka

Section 5.2 and 5.4 of chapter xix

An amount of Rs.246,511 house rentals had not been collected from government employees who lived in government quarters.

(c) Financial Rule of the Central Province Council

(i) Financial Rule 30.1

An amount of Rs.1,423,831 worth of salaries and wages had been paid by the Department of Probationary and Child Protection Services before making grants.

(ii) Financial Rule 30.2.1

An amount of Rs.1,850,708 worth of recurrent expenditure had been made out of the Specific Provincial Development Grants given to the Department of Rural Development by the Ministry of Industrial Development.

(iii) Finance Rule 54.3.1,54.5 and 54.6

The reports had not been submitted by conducting the relevant investigations relating to the 14 vehicles in 6 establishments even though they faced accidents.

- (iv) Finance Rule 164 (b) Payment had been made for 154 item subjects worth of Rs.1,241,200 even they had not been received to the Department of Animal Products and Health.
- (v) Finance Rule 183.1 The receipts worth of Rs.7,226,977 and Rs.7,519,234 payments relating to the department of textiles and the department of Co-operative Development respectively had not been received.
- (vi) P E R - 476 The stock verification relating to 120 establishments in the Central Provincial Department of Healthcare had not been done for the year 2017.
- (vii) P E R - 477.2.1 According to the stock verification reports in 2016 actions had not been taken regarding the shortage of 194 items in 15 MOH offices and hospitals.

**(d) Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka.**

- F.R 770 (3) 6 vehicles of Provincial Agricultural Department had been removed from running without an approval of a motor vehicle supervisor/ mechanical engineer.

(e) Public Administration Circulars.

- Circular No.30/2016 dated 29 December 2016 Combustion test of fuel had not been done relating to 23 vehicles in 4 establishments.

(f) Line Ministry Circulars

- (i) Circular No.2007/20 dates 13 December 2007 of Secretary the Ministry of Education. 957 teachers in 257 Schools relating to 5 zonal Education Offices had been working in a same school since 8 years to 28 years.
- (ii) Circular No.2016/17 dated 16 May 2016 of the Secretary to the Ministry of Education. 147 Students had been admitted to 07 schools against the orders the line ministry circulars regarding the admission of students from grade 2 to grade 11.

(g) Code of Procurement Guidance.

- (i) Paragraph 3.3 The estimated value of Rs.64,693,244 worth of tenders had been offered for 33 industries under the limited bid calling except the special occasions.
- (ii) Paragraph 8.9.3 Agreements had not been made when purchasing Rs.2,870,872 worth of shoes to the Department of Sports and Rs.3,492,373 worth of hand machines to Department of Textiles.

3. Revenue Management

- (a) The estimated revenue as compared with the actual revenue of the year under review and preceding year in the Provincial Council under each revenue code is given below.

Revenue Code No	Particulars of Revenue	2017		2016	
		Revised Estimated Revenue	Actual Revenue	Estimated Revenue	Actual Revenue
		Rs(Mn)	Rs(Mn)	Rs(Mn)	Rs(Mn)
M - 10	Taxes on Production and Expenditure	6,756.11	6,633.98	6,030.66	6,173.57
M - 20	Sales and charges	697.89	771.90	735.34	806.87
	Total	<u>7,454.00</u>	<u>7,405.88</u>	<u>6,766.00</u>	<u>6,980.44</u>

- (b) Arrears of revenue as at the end of the year under review and the preceding 2 years are given below.

	As at 31 December		
	2017	2016	2015
	Rs.(Mn)	Rs.(Mn)	Rs.(Mn)
Stamp duty on transfer of properties	32.40	22.88	24.13
Charges under L.D.O. and Crown Land Ordinance	15.83	9.83	2.77
Taxes on Mineral product	2.00	0.40	0.20
Turnover Taxes	28.84	33.92	45.38
Liquor fine and Interest	1.73	1.73	1.73
Charges from pawn brokers	0.20	0.20	0.02
Total	<u>81.00</u>	<u>68.96</u>	<u>74.23</u>

The following observations were made.

- (i). There was a reduction of a range from Rs.35,616 to Rs.419,412,614 that is 13 per cent to 96 per cent in between the estimated revenue and the actual revenue of 8 revenue subjects and a growth of a range from Rs.4,550 to Rs.100,510,190 that is 6 per cent to 2832 per cent in between the estimated revenue and the actual revenue relating to 5 revenue subjects.
- (ii). The revenue relating to 7 revenue subjects had been reduced from Rs.497,700 to Rs.221,663,608 that is 20 per cent to 93 per cent compared to the previous years.

4. Financial Review

Financial Results

According to the financial statements presented there was a deficit of Rs.28,112,420,432 in the Provincial Council Fund for the year ended 31 December 2017 as compared with the corresponding deficit of Rs.27,415,737,187 in the Preceding year.

5. Ordinance Accounts / Commercial Advance Accounts and Other Advance Accounts.

An opinion had not been stated regarding to 2 Commercial Advance Accounts and 3 Ordinance Accounts established in the Central Provincial Council and a qualified opinion had been stated with regard to 3 Commercial Advance Accounts.

5.1 Ordinance Accounts

5.1.1 Central Provincial Passenger Transportation Service Authority

The following observations were made.

- (a) The arrears income of Rs.474,070 to be collected for the Bogambara bus park since 2015 had not been collected unit the end of the year under review.

- (b) Evidence including the Asset Verification reports, schedules, Fixed asset registers worth of Rs.54,308,442 relating to 8 account subjects had not been presented.
- (c) An amount of Rs.21,034,431 that is 79 per cent out of the fund received on behalf of Sahasara Project which was implemented since 2 August 2016 had been spent to invest in fixed deposits and to pay EPF and ETF against the objective of that fund and the private bus service was in the old situation except using the systematic card for obtaining the passenger tickets in the roads where the project is being implemented as at the end of the year under review.
- (d) A surcharge of Rs.434,951 had been paid due to the delay in paying the contribution for the Employee Trust Fund.
- (e) The project relating to the Implementation of Data Interrelationship and Systematic Information System in between the head office and the Kandy, Matale, Nuwara Eliya district offices of Central Provincial Passenger Transportation Service Authority had not been formed according to the agreement and actions had not been taken by the authority to take legal steps against the violation of the agreement.
- (f) The upstairs of the Hettipola bus stand had been rented out for business affairs since January 2017 against the paragraph. 4.2 of the letter No.FC/3/2/2017- (i) of the secretary to the Financial Commission dated 05 December 2016.
- (g) A fund had not been established by allocating gratuity in accordance with the accepted accounting principles and the orders of the Employee Gratuity Act No 12 of 1983 and the gratuity provision to be allocated until the year under review was Rs.57,597,159.

5.1.2 Central Provincial Road Development Authority

The following observations were made.

- (a) An amount of Rs.2,295,000 as professional allowances for 9 officers worked in the authority, without the prior approval of the Provincial Governor, a sum of Rs.2,460,000 worth of professional allowances for 6 number of non-qualified engineers had been paid and a sum of Rs.930,000 had been over paid due to the payment of 2 allowances as professional and engineering allowance for 8 engineers.
- (b) An amount of Rs.1,344,020 had been paid as vehicle rentals by obtaining vehicles for rent which had been rejected by the Technical Evaluation Committee.
- (c) Action had not been taken to use 12 number of tar barrels with 180 worth of Rs.122,856 and 96 number of Tar barrels with 180 liter in which the value had not mentioned relating to Executive Engineer's Office in Kundasale and Gampola respectively and the amount of annual working hours were 3-119 relating to 5 number of machines which was a total worth of Rs.3,375,000 in those engineer's offices.
- (d) An amount of Rs.4,085,919 had been Paid to the Contractor by preparing a final report without Completing the project relating to the development of Beravila – Patithalawa Road in Dolosbage and, the tender relating to the future tasks of that same road had been offered to the same Contractor even any action had not been taken for the complete above task.
- (e) An amount of Rs.21,978,049 allocated for gratuity in accordance with the accepted accounting Principles and the Provision in the Employee Gratuity Act No.12 of 1983 had not been invested.
- (f) Annual reports had not been prepared for the past 9 years period in which the authority had been established and a corporate plan relating to that institution had not been prepared.

5.1.3 Central Provincial Regional Economic Development Agency

The following observations were made.

- (a) The Financial Statements since the year 2012 to 2014 had not been presented for audit even as at 30 June 2018 in accordance with the Section 6.5 of the Central Provincial Regional Economic Development Establishment Ordinance No.01 of 2008.
- (b) Recruitment procedure had not been approved and 2 Assistant Directors had been employed in service even though only one post of Assistant director had been approved as per the statute of establish of the institute.
- (c) The Katukithula Rest House owned by the Road Development Authority had been sub leased to a third Party twice for 3 years time period by violating the leasing conditions agreed at obtaining on leasing basis and he has built fixed contractions and done changes in formats by spending Rs.6 million It has been sub leased to the same company even an amount Rs.1,274,890 arrears sub lease to be collected as at 30 June 2018 from third party.

5.2 Commercial Advance Accounts

5.2.1 Commercial Advance Account on the Control and the Establishment of the Handloom Work Shop of the Item No. 581202 of the Central Provincial Department of Textiles.

The Following observations were made.

- (a) Actions had not been taken to settle a balance of Rs.11,687,027 brought forward since 2015 and Previous years to be collected from credit Sales, the shortage of Rs.7,507,631 which was identified though stock verifications and a receivable balance of Rs.16,712,065 carried forward since many years by the name of chief secretary.

- (b) The evidence had not been presented on the age analysis, balance confirmations and schedules relating to 7 accounting objects worth of Rs.30,526,783.
- (c) 43 narrow handloom machines and 144 broader handloom machine of 29 Handloom Centers were in an inactive level.
- (d) The target handloom production of 76 handloom centers had been reduced lower than 50 per cent when compared the actual production.

5.2.2. The Advance Account on Production and Sale Item No.582202 of the Central Provincial Department of Industrial Development and Business Promotions.

- (a) Actions had not been taken to collect the receivable amount of Rs.6,463,685 relating to 3 instances in the time duration from 4 years to 13 years.
- (b) There was no any document to ensure the ownership for the lands and buildings worth of Rs.282,864,209.

5.3 Other Advance Accounts

5.3.1 Provincial Public Officer's Advance Accounts

Actions had not been taken to settle a payable credit balance of Rs.43,177,446 for the officers came from transfers and a receivable credit balance of Rs.89,274,841 from the officers who was transferred before 2 years relating to 2 departments and a Divisional Secretariat office and there was a credit balance of Rs.3,328,917 exceeding 2 years relating to the employees who was dead, retired and resigned from the Service.

5.3.2 Advance Accounts for the Members of the Provincial Council

The following observations were made.

- (a) Even though the actions should be taken by the provincial council to collect all the loans receivables to the provincial council when nullifying the seats at the situations such as resigning from the membership, terminating the membership, dead or dissolution of the Provincial Council, action had not been taken to collect a total receivable of Rs.558,106 from 4 members.
- (b) Action had not been taken to collect a receivable balance of Rs.157,114 from a former provincial member in the year 2006.

6. Operational Review

6.1 Performance

The Following observations were made.

- (a) Even though the tasks of the “Medarata Wansha Katha” book comprised of 03 volumes started in 2010 and due to be finished in 2015, 1354 books out of the 1500 books printed from first volume by spending Rs.5,088,107 had been stored without distributing to the relevant sectors as at January 2018.
- (b) The audit of 2017 had been planned only in 959 societies out of 1435 registered cooperative societies but the audit of 279 societies had not been finished. According there were 755 societies that is 53 per cent in which the audit has not been planned and finished.
- (c) The main objective of ERL system had not been Fulfilled due to the non-improvement of the relevant computer programme in the way to obtain the information relating to the arrears income, collected income and the receivable income for the motor vehicle license income, even though 2 years has been completed by establishing the Electronic Revenue License System in the Central Province.

- (d) Due to the non-offering of loans to the proposed beneficiaries by the bank in accordance with the agreement made in between the Rural Development Bank and the Provincial Department of housing relating to “Sahana” housing project, the benefits which could be gained by investing a total sum of Rs.18,152,465 in an effective task had been lost by the department and actions had not been taken to collect a total balance of Rs.2,742,911 given under direct loans and range loan system.
- (e) An amount of Rs.742,256,159, that is 37 per cent had been saved as at the end of the year 2017 from the allocated funds for the TSEP as the Human Capital Foundation for Knowledge Economy and 6 number of industries worth of Rs.7,460,000 relating to that Project had not been completely fulfilled. Also, goods and equipment’s worth of Rs.6,119,235 Purchased in the year 2017 had been kept in warehouses until March 2018 without distributing among schools.
- (f) Even though an amount of Rs.141.89 million had been paid to the Department of Buildings as at 31 December 2017, for the implementation of 6 sub projects by the Provincial Ministry of Health, planed targets had not been achieved until March 2018.
- (g) Even though an amount of Rs.2,912,000 grants had been allocated for the year under review for the prevention of Dengue Programme by the Provincial Ministry of Health, only 66 per cent that is Rs.1,926,185 worth of tasks had been fulfilled.
- (h) Even though a pond had been built up, at the National Veterinary Resource Development Center at Galewela – Beligamuwa in Matale District by spending Rs.1,040,000 by the Provincial Ministry of Agriculture with the objective of popularizing the Inland Fisheries Farming, the water capacity was not sufficient for the inland fisheries cultivation.

6.2 Management Inefficiencies

The following observations were made.

- (a) Action had not been taken to make aware of the public by the Panwila Divisional Secretariat office regarding the drinking water taken from the Madolkele watta Uyanagala Water Project by the members of 28 families even though it was confirmed as not suitable for Consumption.
- (b) Even though the lands should have been accreted to the Local Government Authorities or Public Departments where they are situated in accordance with the 269 order in the task code of government land ordinance, actions had not been taken to accredit the lands relating to 569 schools, and 252 enterprises of 5 divisional secretariat office.
- (c) 63 deeds issued to 65 persons during the period from the year 1982 to 2003 had been kept in the Walapane Divisional Secretariat Office as at 27 February 2018.
- (d) Any rental had not been collected after 2012 for the land of 2.52 hectares owned by the Nuwara Eliya Divisional Secretariat Office utilizing by the Sri Lanka Broadcasting Corporation since November 1984 without a legal lease agreement. Also the feedback activities had not been done at a sufficient level regarding the lands given for long term lease basis, to 5 enterprises for various objectives.
- (e) Actions had not been taken even as at 21 February 2018 to legalizes the lands of 341 non permitted residents in 131 Grama Niladari Divisions, and to collect the lease rentals on long term lease basis for 4 number of transformation towers constructed during the time Period since 2005 to 2017 at the government lands in Hanguranketha Divisional Secretariat Division.
- (f) A part of the playground utilized for more than 57 years by a school belongs to the Wattedagama Zonal Educational Office had been accredited to the Kundasale Divisional Council to construct a bus parking area.

- (g) 80 teachers who had completed the Probation period and worked from 3 to 38 years according to first appointment date in Hatton, Gampola, Kandy and Denuwara Educational Zones had not made permanent and the salary increments had not been given to 464 teachers in the schools in Hatton Educational zone as at December 2017 even though there was a delay of 1 month to 9 years time period.
- (h) An amount of Rs.28,086,170 paid from the Provincial Council Fund for 19 teachers who were attached to other services in Denuwara, Gampola, Wattegama, Teldeniya, Walapane and Hanguranketha Zones had not been reimbursed.
- (i) 123 houses out of 335 houses belongs to Kandy District Health Services Director Office were not in use and 39 houses were identified as damaged and broken houses.
- (j) The buildings and the equipments constructed on the grants of Rs.41,461,389 at the wilgamuwa Regional Secretary Division and given to the public ownership in March 2017 had been in an inactive level due to the non-availability of doctors for renal clinics.
- (k) An amount of Rs.1,158,840 grants given in 2015 and 2016 to the Provincial Department of Animal Production and Health for the Implementation of Development projects had been kept in the general deposit account without using them for the relevant projects and, a sum of Rs.1,440,128 relating to non-implemented 3 projects by the Ministry of electricity had been credited to the provincial council revenue after holding in general deposit account for 7 years.
- (l) Actions had not been taken to collect the arrears receivable balance of Rs.158,405,066 as at 31 December 2017 from 41 active multipurpose cooperative societies registered under the Central Provincial Department of Co-operative Development , Schools and other co-operative societies.

6.3 Operational Inefficiencies

The following observations were made.

- (a) A Business Name Registration Certificate had been issued by the Panvila Regional Secretary Office to carry out a pharmacy to a non-air conditioned firm.
- (b) Actions had not been taken to collect an estimated amount of Rs.1,485,000 based on 2012 year relating to 3 plots of lands from the land users and 5 deeds issued during 2014,2016 and 2017 had not been distributed to the beneficiaries.
- (c) The total land area of 3.1281 hectares in 4 school in the Gampola zone had been caught by non-permitted residents for more years and proper actions had not been taken by the authorized persons regarding that.
- (d) Actions had not been taken by the Thumpane Divisional Secretariat Office to collect a sum of Rs.2,972,840 lease rental which had to be collected from 2005 to 2018 on behalf of referring a Telephone transmission tower of the Sri Lanka Telecom without any permission .
- (e) In accordance with the agreement actions had not been taken to get 26 computers worth of Rs.2,789,100 which had been given to 26 members under the programme implemented by the council secretary office in 2012 to provide lap top computers to the Provincial Ministers and members.
- (f) Actions had not been taken to collect a receivable balance of Rs.1,042,340 on behalf of the annual permits since 2003 to 2017 for the government lands used for the hydro power project in Manelwala in the walapane Divisional Secretariat Division.
- (g) A receivable lease rental of Rs.7,718,600 from 6 small scale hydro power plants implemented in the Nuwara Eliya Divisional Secretariat area and a receivable balance of Rs.909,154 from government lands as long term lease had not been collected.

6.4 Transactions Contentious Nature

The following observations were made.

- (a) An amount of Rs.1,371,255 had been paid in 2017 to 10 members for the Supervision of the chief ministry affairs while a capacity to pay the supervised member allowances had not given though any central government circular.
- (b) A total sum of Rs.621,956 worth of 33 cheques issued from a School Development Society account in a central provincial school had been paid to the payee mentioned in the cheque instead of the name mentioned in the cash book as the receiver.
- (c) The gross value of non-expired drugs removed by the Central Provincial Department of Health services due to the not in standards was Rs.3,028,815 and any drug had not been received during the year, under review relating to the 76 types of drugs ordered for Hospitals in Kandy District.
- (d) An amount of Rs.1,348,150 spent out of the grants for emergency development requirements by the Provincial Ministry of Agriculture, a sum of Rs.2,210,000 out of the grants allocated for the reconstructions in kovils with low facilities had been spent for 4 kovils where rich devotees are and a Rs.1,241,010 had been spent for a Preschool where the government grants can't be spent.
- (e) An amount of Rs.1,708,451 out of Rs.2,000,000 given to a society for the construction of a small hydro power plant by the Ministry of Electricity had been obtained again by the Ministry and it had been released to give a transformer to a school without an approval of the Financial Commission after holding that in the general deposit account for 3 years.

6.5 Idle / Under-Utilized Assets

The following observations were made.

- (a) The travellers bungalow constructed for the members of the council by spending Rs.20,958,609 was in underutilized manner.

- (b) The auditorium the furniture and other equipment's in the old Council Secretary Office since 5 years of time period, 14 rooms in the Management Development Training Centre constructed in 2011 by Spending Rs.39,881,670 had been in inactive manner since 03 years' time and the hostel belongs to the Personal and Training Sector of the Management Development Training center were in under utilized manner.
- (c) The three storied building with 3 advance level laboratories and the administration unit constructed in a school at Teldeniya Zone by spending Rs.24.83 million were under-utilized for 6 years' time and the chemical and laboratory equipments purchased by spending Rs.2,700,000 had been underutilized since 7 years' time period.
- (d) The Intensive Care Unit which had been opened during the month of April 2017 at the Teldeniya District Base Hospital, the operation theatre comprised with 3 theatre, Blood bank and the medical equipment's worth of Rs.76,941,550 established in the relevant medical unit had been not in use more than one year period.
- (e) 226 units of medical equipments given to Yatinuwara MOH office, Digana Rehabilitation Hospital, Yakgahapitiya Regional Hospital, Menikhinna Regional Hospital and the Department of Animal Production and Health had been in inactive manner sine 2006 until 2016.

6.6 Un Economic Transactions

Even though an amount of Rs.2,442,841 had been spent for the Tourism Facility Development Project constructed during 2014 and 2015 under 2 steps in relation with Nalanda Gedige, it was in a situation which can't be used for an effective task until as at the end of the year 2017.

6.7 Identified Losses

The following observations were made.

- (a) Out of 139 incidents worth of Rs.14,985,229 to be collected further from damages and losses relating to 3 Programmes of the Provincial Department for Education, 83 incidents worth of Rs.8,666,209 had been exceeded over 5 years.
- (b) A loss of Rs. 16,665,286 had not been collected from responsible parties relating to 123 vehicles which had crashed while it had been passed over a time period of more than 05 years after crashed 39 vehicles which contained the loss amount of Rs.7,086,818 thereof.

6.8 Deficiencies in Contract Administration

The following observations were made.

- (a) There were differences in between the BOQ and the relevant estimate for the construction of women toilet system in a school at Teldeniya zone by spending Rs.1,900,149 and the work subjects mentioned in the estimate had been constructed with deficiencies. Also, the power connection and the pipe water supply had not been given even though all the electric and pipe lines had been fixed.
- (b) The work subject included in the BOQ relating to the addition of a new part and the repair of the laboratory building at the above mentioned school had not been done in a proper manner and 229 tiles worth of Rs.34,560 and 64 ceiling sheets worth of Rs.35,639 had been over purchased. 46 per cent that is Rs.921,141 had been saved out of the amount given for that task due to the preparation of over estimates and non-implementation of work subjects in accordance with the assessment.
- (c) 13 out of 21 contracts worth of Rs.337.53 million offered to one contractor during 2016 and 2017 by the Chief Provincial Ministry had been cancelled and the value of advance and performance bonds from the contract firm as at

the end of 2017 was Rs.49,849,343 due to the progress of 7 contracts were in weak status.

6.9 Omissions of Projects without Starting

The following observations were made.

- (a) 4 projects worth of Rs.60,479,905 which had been planned to implement during 2017 had not been started as at 31 December 2017.
- (b) 3 drinking water projects and plantation road with an estimated value of Rs.4,296,555 had been relinquished without starting by the Ambagamuwa Pradeshiya Sabha.

6.10 Delays in Implementing the Projects

The following observations were made.

- (a) 3 projects worth of Rs.50,040,860 implemented under the Tourism Development and Catholic Religion Affairs Ministry grants had not been completed in the year under review.
- (b) Actions had not been taken to use the Huluganga Water Fall Entrance Road and the Observation Center that constructed in 2012 and 2013 by spending Rs.1,190,406 as at the end of the year 2017 after completing the project.
- (c) The Progress was in a lower level as at 31 December 2017 relating to 4 projects worth of Rs.22,740,000 implemented by the buildings department.
- (d) Even though a total sum of Rs.17 million had been paid to the Buildings Development during the years 2016 and 2017 for the Construction of the Chest Diagnostic Unit at the Nuwara Eliya Health care Director Office, the Construction progress was only 25 per cent as at 31 December 2017.
- (e) Even though Rs.15 million had been released to the Buildings Department for the construction project of new ward complex comprised with 96 beds for the Provincial Ayurvedic Hospital, only the foundation stone had been kept as at 31 December 2017.

6.11 Personnel Administration

Approved and actual cadre position of the provincial as at 31 December 2017 is as follows.

6.11.1 Cadre of the Provincial Council Ministries, Departments, Local Authorities and Institutions Established by statutes (except for school and health staff)

	Approved cadre	Actual cadre	No. of Vacancies	Excess cadre
Senior Level	996	639	368	14
Tertiary Level	302	188	117	8
Secondary Level	7,583	4,934	2,726	101
Primary Level	6,814	5,453	1,148	432
Contract basis	-	35		-
Casual		188	-	
Others	341	730	65	
Total	16,036	12,167	4,424	555

- (a) The Central Provincial Revenue Service Constitution had not been amended even as at May 2018 in accordance with the Public Administration Circular issued as the Restructuring of Public Service Salaries No 06/2006 dated 25 April 2006.
- (b) Actions had not been taken by the ministry to fill the vacancies for 44 employees and to make regularize an excess employee in the Ministry of Electricity and 24 number of employees had been attached in the year under review to 2 departments and two authorities carried out under that ministry in an improper way.
- (c) There were 46 vacancies in 8 posts such as essential Quantity Surveys, Administration officers, Technical officers, Laboratory technicians and Machine operators and other services according to the nature of the task at Engineering Service Department and actions had not been taken to amend the required number of employees by determining the required number of employees.
- (d) Action had not been taken to fill 23 vacancies in the Sports Department as at the end of the year under review and the Provincial Sports Director post had

been vacant since 04 July 2013 and the Senior Sports Officers post had been vacant since 08 February 2014.

6.11.2 School Staff

Category of Staff	Approved Cadre	Actual Cadre	No. of Vacancies	No. of Excess
Principals	1491	1,106	416	31
Deputy Principals	196	531	55	390
Teachers	24,818	27,809	1,189	4,180
Minor Staff and Assistant staff	2,285	1,735	951	401
Total	28,790	31,181	2,611	5,002

- (a) The excess teachers as at 31 December 2017 were 4,180.
- (b) There were 96 teacher vacancies in 32 schools belongs to Gampola Educational Zone, and the vacancies in principal post had not been filled at 19 schools in Kotmale Educational Zone from 1 year to 11 years, at 20 schools in Hatton Educational Zone from 1 year to 22 years, at 21 schools in Nuwara Eliya Educational Zone from 2 year to 21 years, 24 schools in Hangeranketha Educational Zone from 1 year to 17 years' time period.
- (c) There were vacancies in principal service as at 16 March 2017 in 19 schools out of 51 schools belongs to the Vilgamuwa Educational Zone, and 107 teacher vacancies in 42 schools and 181 excess teachers Also, 51 teachers out of 613 teachers in that zone had been attached to other zones due to various reasons.
- (d) There were 98 excess office assistants in schools in Theldeniya zone and 25 excess watchers in schools in that zone and wattergama zone.

6.11.3 Health Sector Staff

Category of staff	Approved Cadre	Actual Cadre	No. of vacancies
Senior level	1,233	960	273
Tertiary level	384	303	81
Secondary level	4,584	3,498	1,086
Primary level	3,253	2,502	751
Other(casual, Temporary)	-	291	-
Total	9,454	7,554	2,191

For the Provincial Health Services Department Even though 9,454 posts had been approved for 4 employee levels by the Department of Management services, there were, 2,191 vacancies in that post due to the usage of employees was only 7,263. There were vacancies for 37 specialist doctors, 266 doctors, 355 nurses, 155 midwives and 552 attendants among those. Casual employees had been recruited for 291 vacancies out of 751 vacancies in the primary level post.

7. Accountability and Good Governance

7.1 Procurement

The following observations were made.

- (a) An amount of Rs.8,135,960 worth of furniture had been purchased for the Central Provincial Governor's quarters without working according to the 3.2 pursuances of the of Government procurement Guideline and the National Procurement Agency Circular No. 08 and the relevant cheque had been issued to a personal name without issuing to the supplier.

- (b) In accordance with the paragraph 5.3.11 (a) and 5.4.8(b) of the Code of Procurement Guideline, even though the bids and the performance assurances should have been obtained from an accepted, firm the bank bonds worth of Rs.1,757,500 which had been obtained for the construction of 6 buildings in the central provincial schools were not genuine. Also the validity period of 2 advance bonds worth of Rs.5,844,880 and one performance bond worth of Rs.1,418,800 obtained for 4 building constructions were contradictory in accordance with the relevant files and bank confirmations.
- (c) Even though an amount of Rs.3,023,415 worth of goods had been purchased in 72 occasions by a Central Provincial School, without following the procurement procedure.

7.2 Tabling of the Annual Reports

Accordingly to the provisions of section 23(2) of the Provincial Council Act No.42 of 1987 the position of tabling the report of the Auditor General on the financial statement of the Central Provincial Council for the previous years in the provincial Council is given below.

Year	Date of the Report	Date of Tabling the Report
2011	2013.03.28	2015.09.08
2012	2014.07.04	2016.02.16
2013	2015.01.07	2015.05.05
2014	2015.10.08	2015.11.03
2015	2016.11.16	2017.07.18
2016	2017.11.29	2018.06.11

7.3 Un resolved Audit Paragraphs

Decision had not been made as at 30 June 2018 relating to 197 paragraphs where the feedback activities had not been finished after investigating by the provincial COPE in relation with the paragraphs included in the Auditor General's Report relating to 4 departments and the institution's such as Electricity Ministry, Central Provincial Road Development Authority, Central Provincial Passenger Transport Service Authority, Housing Department, Engineering Service Department, Health Services Department, Department of Industries.

7.4 Fulfillment of Environmental and Social Responsibilities

A total amount of Rs. 1,289,452,326 had been invested in fixed deposits of 02 state banks from the year 2010 without any compliance to the main objectives of the Provincial Council.

8. Systems and Controls

The heads of the Central Provincial Institutions and the Chief Secretary were regularly informed about the shortcomings observed in the audit. Special attention of the Provincial Council is needed in respect of the following areas of systems and controls.

System	Weaknesses in the System
-----	-----
(a) Revenue Control	(i). Non-realistic of the revenue estimates (ii). None collecting the revenue and arrears revenue. (iii). None feedback of the revenue generation projects.
(b) Assets Management	(i). Underutilization of fixed assets (ii). Non conduct of Board of Surveys in annually.
(c) Human Resource Management	The required steps had not been taken in relation with the excess and vacant staff.
(d) Contract Administration	(i). Non implementation of approved projects. (ii). Non investigation of the progress of the implementing contracts.
(e) Financial Control	Funds had not been utilize in the objected tasks.