

Sabaragamuwa Provincial Council - 2017

The audit of financial Statements of the Sabaragamuwa Provincial Council for the year ended 31 December 2017, comprising the statement of financial position as at 31 December 2017 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 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 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's 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 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 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 Provincial Council Fund Account for the year under review had been presented to audit on 29 March 2018.

2.2.2 Other Accounts

The progress of the presentation of other accounts of the Provincial Council relating to for the year under review as at 16 July 2018 is given below.

Name of account	Total No. of accounts	No. of accounts presented
(i) Appropriation Accounts	27	27
(ii) Revenue Accounts	01	01
(iii) Advances to Provincial Public Officers Accounts	24	24
(iv) Commercial Advance Accounts	09	09
(v) Fund Accounts	02	02
(vi) Statute Accounts	05	05
(vii) Councillers Advance Accounts	02	02
Total	<u>70</u>	<u>70</u>

2.2.3 Accounting Deficiencies

Assets generated from Provincial Council Funds during the year under review totalling Rs.2,319,486,301 and the assets of other years had not been included in the statement of financial position.

2.2.4 Unreconciled Control Accounts

According to the control account relating to one item of accounts the balance amounted to Rs.12,657,255 whereas according to the subsidiary books the balance was Rs.12,905,550, thus showing an imbalance amount of Rs.248,295.

2.2.5 Suspense Accounts

An unidentified balance totalling Rs.10,044,595 had existed in the Provincial Public Officers advance account as at 31 December 2017 relating to one Department.

2.2.6 Accounts Receivable and Payable

Balances of receivable accounts and payable accounts elapsed for more than one year totalled Rs.37,885,837 and Rs.25,362,579 respectively.

2.2.7 Un-replied Audit Queries

Replies to 4 audit queries issued up to 31 December 2017 had not been presented even by 16 July 2018 and the computable value of transactions subjected to those queries amounted to Rs.158,986,756.

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

Non-compliances with Laws, Rules, Regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Acts Sub-Sections 183 (5) of the Urban Councils Ordinance (cap.255) and Sub- Sections 172(8) and (9) of the Pradeshiya Sabha Act No.15 of 1987.	Every sum should be paid by such person to the Commissioner of Local Government within 14 days after the decision of the Auditor General has been communicated to such person unless there is an appeal against the decision. If that sum is not paid, the Commissioner may make an application to the District Court within whose jurisdiction such person resides for the recovery of such sum. As action had not been so taken, a total sum of Rs.1,707,457 under 5 surcharge certificates issued by the Auditor General was due by the end of the year under review.

- (ii) Section 20 (1) of the Value Added Tax Act No.14 of 2002.
- The value added tax amounting to Rs.233,234 had been paid without being obtained the valid tax invoice.
- (b) Establishments Code of the Democratic Socialist Republic of Sri Lanka.**
- (i) Paragraph 5, 6 of Chapter XIX
- As house rent from officers resided in the official bungalow of the Embilipitiya Medical Officer of Health and 9 rural health centres attached to that office had not been recovered during the period from the year 2009 to 2017, a revenue totalling Rs.1,894,650 had been deprived of.
- (c) Financial Rules of the Sabaragamuwa Provincial Council of the Democratic Socialist Republic of Sri Lanka.**
- Financial Rule 422.2
- Six photocopy machines valued at Rs.800,200 had been purchased by 2 institutions belonged to the Provincial Council, from an entity not registered for the supply of photocopy machines.
- (d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.**
- Financial Regulation 571
- Action had not been taken in respect of 130 lapsed deposit balances totalling Rs.86,356,106 in 4 Ministries and Departments.
- (e) Public Finance Circulars**
- (i) Paragraph 3.1 of Circular No.02/2012 of 05 January 2012.
- Without taking action to select contractors by a three-member committee, 379 contracts had been awarded to community based organizations totalling Rs.608,276,912, by the Executive Engineer's Office, Balangoda.

- Paragraph 3.2

Eight contracts totalling Rs.12,915,000 had been awarded to a welfare society which could not be identified as a community based organization, by the Executive Engineer's Office, Balangoda.

- Paragraph 3.4

Even though, the contract awarded to the community based organization should be within the area of authority of this organization/ society, contrary to that, contracts totalling Rs.73,604,535 awarded to community based organizations outside the area of authority in 41 instances by 2 institutions.

- (ii) Circulars No.431 (1) dated 16 February 2016.

Air tickets valued at Rs.1,936,000 had been purchased by calling for quotations from entities, not registered in the Civil Aviation Authority of Sri Lanka for the Iran tour of Kegalle District Kabadi Team by the Department of Sports Development.

- (iii) Circulars No.01/2015/01 dated 15 May 2015.

A sum of Rs.2,702,447 had been paid as combined allowances and entertainment allowances for 5 foreign trips participated by the Chief Minister and his private secretary without being confirmed the facilities provided by the inviting institution.

- (f) Provincial Councils and Local Government Circulars**
 - Paragraph 6 of the Finance circular No.01/2001 dated 28 March 2001.

Even though, action should have been taken to recover all outstanding loans at the same time in the case of dismissals from the councilors post deceased or immediate dissolution, the loan balance of Rs.208,040 relating to a councilor whose post was revoked had been outstanding since 27 September 2015.

(g) Other Circulars:

(i) Sub-sections 14.3.1 and 15.2 of the Circular No.07/2013 and the guidelines manual of the Ministry of Education dated 28 November 2013.

Out of 274 schools attached to Niwithigala and Embilipitiya zonal Education Offices, 110 schools had not submitted four-months statement of accounts as specified.

(ii) Public Expenditure Management Circular No.CSA/P1/40 dated 18 March 2006 and the Letter No.CSA/P1/40 dated 23 October 2006 of H.E. the President

Even though only 2 official vehicles and one security vehicle should be allocated to the Chief Minister, contrary to that, 9 official vehicles and 3 security vehicles had been used by him. A total sum of Rs.5,103,493 had been spent during the period from January 2015 to September 2017 in respect of repairs and maintenance of those additional 5 vehicles.

(h) Government Procurement Guidelines – 2006

Guideline 1.2 (a) and (c)

Five works valued at Rs.17,732,885 which could be able to carry out as individual works had been divided into 10 works and performed by the Provincial Ministry under the supervision of the Embilipitiya Pradeshiya Sabha.

(i) Co-operatives Ordinance No.03 of 2007.
Section 44(1)

Even though, the accounts of every registered society should get audited by the Registrar or by a person authorized by him by way of a normal or a special order letter, delays had existed to get the Accounts audited relating to the years 2014, 2015 and 2016 in 35 Co-operative and other societies in the Ratnapura District.

3. Revenue Administration

Trend of revenue in 5 previous years

Tax revenue and non-tax revenue collected during the past 5 years are as follows.

Year	Tax Revenue	Non-Tax Revenue
	Rs.	Rs.
2012	2,007,749,583	496,404,402
2013	2,163,127,948	496,200,284
2014	2,394,497,366	676,362,034
2015	2,832,257,548	725,367,341
2016	3,214,934,104	875,031,415

The following matters were observed.

- (a) Even though, the Revenue Accounting Officers should prepare revenue estimates as accurate as possible in accordance with the Rule 41.1.4 in the Sabaragamuwa Provincial Financial Rules, as compared the land tax revenue estimated for the year 2017 by the land Commissioner's Department and the arrears of revenue as at 31 December 2016 with the actual revenue of the year 2017, variations ranging from 22 per cent to 651 had existed in 20 Divisional Secretariats.
- (b) The unrecovered land tax revenue of the Land Commissioner's Department as at 31 December of the year under review totaled Rs.22,421,561.
- (c) As the actual tax revenue of the previous year had not been considered in the preparation of revenue estimates of the year under review, the estimated revenue had increased by Rs.445,487,389 relating to 09 revenue codes.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, there was a deficit of Rs.1,110,094,728 in the Provincial Council Fund for the year ended 31 December 2017 as compared with the deficit of Rs.1,816,974,306 for the preceding year.

4.2 Legal Cases Initiated against the Council or by the Council

External parties had filed 132 legal cases against 17 Ministries/ Departments of the Provincial Council and 97 legal cases had been filed by 2 Ministry/ Department against external parties and they had been pending even by December 2017.

5. Accounts of Authorities

5.1 Industrial Development Authority

The following matters were observed.

- (a) A register of fixed assets in respect of fixed assets totalling Rs.34,988,580 had not been maintained in terms of Provincial Financial Rule 560 and 561.
- (b) The Authority had failed to perform any of the functions stated in the Industrial Development Authority Ordinance No.04 of 1990 of the Sabaragamuwa Provincial Council and Section 14 of the Industrial Development Authority new Ordinance No.14 of 2017 during the period from the beginning of the Authority to the year under review.
- (c) A sum of Rs.3,360,387 receivable from 35 debtors brought forward from periods ranging from 01 to 10 years had not been recovered.
- (d) Except the receipt of Rs.577,500 from renting the building, the Weralupa Handi-craft Centre had not perform any other activity during the year 2017.
- (e) As compared the actual inputs used as rubble, sand and wires for the manufacture of products made by the Balawinna pre-mixed concrete yard during the year 2017, with their standard inputs, they had not been used for the production as per standard inputs Viz, relating to the production of the year 2017, 16,365 kg of cement, 329 cubic feet of sands, 1,237 cubic feet of ¾” rubble and 2851 kg of 6 mm, 10 mm and 12 mm wires had been used less than the standard quantities.
- (f) Laws had been enacted by Section 13(d) of the Industrial Development Authority Ordinance No.19 of 2017 that provisions in the Establishments Code are not applicable to the staff of the Authority. Nevertheless, any administrative rules with regard to the staff had not been determined by the Authority in terms of Section 13(e).
- (g) A loss of Rs.19,000 had incurred, as the selling price of 7 types of goods had been less than the cost of production. The deprived profit on these 7 items in accordance with the new pricing policy of adding profit margin of 25 per cent to the cost by the Authority amounted to Rs.297,751.
- (h) Even though, 27 years had elapsed since the establishment of the Industries Development Authority, an approved cadre and a wages system had not been formulated.

5.2 Development, Construction and Machinery Authority

The following matters were observed.

- (a) (i) Even though, contributions should be paid on total earnings of an employee in terms of Sections (1) and (2) of chapter 10 of the Employees Provident Fund Act, as the contributions had been paid on the basic salary, an under payment of Rs.2,430,190 had been made for the year 2016.
- (ii) Even though, contributions should be paid on total earnings of an employee in terms of Section (1) of Chapter 16 of the Employees Trust Fund Act, as the contributions had been paid on the basic salary, an under payment of Rs.603,351 had been made for the year 2016.
- (b) According to a decision of a court case instituted by the wife of a deceased officer who had occupied an official quarter, action had not been taken to settle all dues entitled to her on behalf of her deceased husband and to get back the house to the Authority. Similarly, a building had been constructed by a neighbour by using a part of the road, enter the house as a result of not being supervised that official quarters.

5.3 Sabaragamuwa Road Passenger Transport Authority

The following matters were observed.

- (a) In terms of guideline 5.4.4 (1) of the procurement guidelines, a maximum of 20 per cent of the contract amount can be paid as a mobilisation advance on an accepted bond. Contrary to that, advances totalling Rs.331,000 at 40 per cent and 55 per cent had been paid in 2 instances without being obtained an advance bond.
- (b) Despite, the surplus money had been invested in fixed deposits, loans totalling Rs.14,445,000 had been obtained for daily cash requirements by keeping it as a security and as such more percentage than the receipt of interest on fixed deposits had to be paid for loans.
- (c) A total sum of Rs.168,475 had been paid in 7 instances without being prepared work estimates and without a recommendation of the Technical Officer stating that the work was completed.
- (d) The ownership of trade stalls given by the Provincial Council by spending a sum of Rs.7,842,100 had not been vested in the Authority.
- (e) A sum of Rs.1,166,550 had been spent for activities deviating from the main objectives of the Authority.

- (f) According to a decision taken by the Provincial Council in the year 2015, a sum of Rs.54,055 had been spent in the year 2016 in respect of printing identity cards for the issue of free transport passes to journalists but no provision had been made and the approval of the Committee was not available as well. In the examination of the relevant procurement process, it was observed that fake documents had been prepared and the approval for the previous year payments had not been obtained under the Financial Regulation 115.
- (g) From the Board paper submitted to the meeting of the Board of Directors dated 02 November 2016, same item of expense had been proposed twice and the vehicle rent expenses amounting to Rs.286,290 had been overpaid without being submitted correct information to the Board.
- (h) A motor vehicle condemned from running since 2016 had been parked in a private garage without being taken action to dispose of it.
- (i) Trade stall rent for 30 stalls situated in the Kegalle Bus Stand belonged to the Authority recoverable for the period from 2010 to 31 December 2016 had not been assessed and recovered.

6. Operating Review

6.1 Performance

The following matters were observed.

- (a) Even though sums of Rs.2,212,177 and Rs.1,756,325 had been spent during the period 2013 – 2016 in respect of conducting workshops in English and Mathematics respectively in the Nivithigala zone, the passing percentage of English and Mathematics during that period ranged from 27-29 and 50-55 respectively.
- (b) According to the annual action plan for the year 2017 prepared on behalf of the Balangoda Education Zone for the preparation of the primary project on Knowledge Based School Education System (TSEP), 230 programs totalling Rs.16,682,000 had been planned. According to the progress report as at 31 December 2017, 116 programs totalling Rs.8,805,443 had not been implemented. Seven programs planned for the strengthening of Privena Education had not been implemented. Similarly, according to the 2014-2018 plan, upliftment of scholarship results had been an objective but the progress to reach 100 marks during the period 2014 to 2017 had declined from 70 per cent to 58 per cent.

6.2 Sustainable Development

The Provincial Council had identified 5 targets relating to few objectives to be reached in moving towards Sustainable Development as Sustainable Development Goals. As objectives had not been correctly identified, targets related thereto, data base, land marks to reach targets and indicators to measure the target had not been sufficiently identified. Accordingly, it was observed that the Council was not sufficiently aware about the 2030 agenda on Sustainable Development.

6.3 Management Inefficiencies

The following matters were observed.

- (a) Action in terms of Provincial Rule 54 and 55 had not been taken in respect of losses totalling Rs.9,192,673 incurred in 2 ministries, 4 Departments and 86 schools operated under the Provincial Department of Education.
- (b) Even though, sums of Rs.24,983,650 and Rs.3,016,797 had been spent in the years 2017 and 2016 as housing grants and industries grants respectively to the low income people, those benefits had been limited only to Ratnapura District.
- (c) Contrary to the Circular No.20/2007 dated 13 December 2007, of the Ministry of Education, 2360 teachers in 04 zones had been serving in one school for more than 8 years and it included 338 teachers with the service period over 20 years. Information on such teachers had not been specifically given by Zonal Education Offices of Balangoda, Ratnapura and Mawanella.
- (d) Provisions of Rs.22,492,500 made for the training and capacity development by the Provincial Ministry of Land and Agriculture had been spent for the purchase of 750 agro-sales cubicles without spending for the intended purpose. Fourty one agro-sales cubicles total valued at Rs.1,229,590 not distributed even by 23 November 2017 had not been made available for physical verification. As the selection of beneficiaries had not been done with a transparent manner, it was not established that the distribution had been made to actual needy persons with fair basis.
- (e) A provision of Rs.777,000 had been made by the Provincial Ministry of Roads during the year 2015 to translate into English and print “Sundara Sabaragamuwa” book and it had been awarded to a printing press on 07 April 2016. Printing works had not been finished even by 16 January 2018.
- (f) Of the total provisions made in the years 2016 and 2017 of the Provincial Ministry of Roads for the construction of roads, maintenance and to develop sports grounds, more than 70 per cent had been allocated to the Ratnapura District and the provisions allocated to the Kegalle District had been at a minimum level. Similarly, nearly 50 per cent of the

District provision had been allocated to the Embilipitiya Divisional Secretariat in the Ratnapura District and nearly 40 per cent of the District provision had been allocated to the Rambukkana Divisional Secretariat in the Kegalle District. As the annual provisions had been allocated with anomalies as such, it was observed that it would cause to exit from the balanced development within the Sabaragamuwa Province.

- (g) Even though, a provision of Rs.225,000 had been made in the year 2016 for the establishment of a herbal garden in the premises of the Provincial Ayurveda Department, that project had not been implemented in accordance with a proper program under the proper supervision and as such, it could not be reached to the expected objective even by February 2018.
- (h) Even though, 12 officers had accepted that the allowances they have obtained for a Vietnam tour made during the year had been faulty and they had refunded the money amounting to Rs.4,191,875 that they had obtained, a total sum of Rs.976,000 was further recoverable from the Chief Minister his private Secretary and 2 officers.
- (i) In terms of paragraphs (i) and (ii) of the Public Administration Circular No.09/2007 (i) dated 24 August 2007, the competent authority can appoint a retired officer over 60 years of age, subject to a maximum period of 12 months on the private recommendation of the Secretary to the Ministry only for essential posts for which it was impossible to appoint a successor or it could not get performed by the officers who were already in service by way of alternative methods such as acting in the post. Similarly, in terms of paragraph (v) thereof, the Head of Institution should identify a suitable successor within that period. However, contrary to those provisions a pensioner over 60 years of age had been appointed to the post of Director Internal Audit of the Sabaragamuwa Provincial Council and the appointment had been extended up to 4 ½ years in 4 instances.

6.4 Waste Management

According to the report of the meeting held on 27 July 2016 to discuss special anti-dengue program of the Sabaragamuwa Province, it was decided to construct buildings for the provision of stores facilities to Local Authorities which do not have stores facilities to store non-decompose waste. However, out of the selected local authorities, permanent buildings had not been constructed for 12 local authorities even up to 30 March 2018.

6.5 Drugs Management

In two hospitals and one office of the Medical Officer of Health had retained 378,974 units of expired and inferior quality drugs in the stores without being disposed of and 20.67 kg of expired chemicals of 34 varieties remained for periods from 01 to 10 years in one base hospital had not been disposed of.

6.6 Operating Inefficiencies

The following matters were observed.

- (a) According to the annual training program of the Provincial Council, 100 training workshops should have been conducted during the year under review but only 65 workshops consisting of 22 planned workshops and 43 other workshops had been conducted. Even though it was planned to train 5440 officers, the actual number of officers trained was 1666. Likewise, periods of conducting workshops had not been identified in the preparation of the plan.
- (b) The Provincial Ministry of Education had purchased sets of musical instrument by incurring an expenditure of Rs.9,418,041 to be distributed among schools. Even though agreements had been signed in December 2016 for the purchase of 36 uniforms totalling Rs.1,592,640 of that money, such goods had not been supplied even by December 2017. The balance stock of goods valued at Rs.7,825,401 received in December 2016 had not been distributed among the schools even by January 2018. As the warranty period of those goods was 2 years, one year had completed in the store itself before being utilized. In addition, the Technical Evaluation Committee had spent 12 months to issue the quality inspection report but the reasons therefor had not been inquired.
- (c) On the grounds of shortage of students or natural disasters, 130 schools in the Sabaragamuwa Province had been closed during the period from 1992 – 2018. Of them, 57 schools had not been handed over to the Divisional Secretariats and 5 schools had been released to other activities. Furniture and equipment in 17 schools had not been given to any institutions and the periods idling lands and buildings in 42 schools without being utilized for any purpose ranged from 02 to 18 years.
- (d) Out of 52 teachers quarters situated in the Kegalle Education Zone, officers had occupied only 14 houses and 11 houses had been used for some other purposes of those schools. Three houses had proposed to be destroyed and removed and 4 houses were being repaired. Twenty houses had been closed down without being used for periods ranging from 2 to 20 years.
- (e) According to the 2014 budget proposal, loans at Rs.50,000 had been granted to people's representatives of Local Authorities through the Divineguma Development Department for the purchase of motor cycles for the supervision of development activities under the first stage of the supply of motor cycles on a concessionary basis program. Sixty three Local Authority members had evaded the repayment of loans and the outstanding balance as at 31 January 2018 amounted to Rs.873,951. In addition, it was unable to recover a total sum of Rs.1,850,000 from 37 people's representatives who had obtained motor cycles on out right payment basis of the concessionary price of Rs.50,000 even by February 2018.

- (f) Even though, there were 171 families who did not have proper toilet facilities and 435 families without any toilets whatsoever within the Warakapola Medical Officer of Health Division, action had not been taken to provide them with sanitary facilities even by 30 September 2017.
- (g) The Provincial Ministry of Lands and Agriculture had purchase 5,715 Hume pipes in the year 2016, incurring an expenditure of Rs.22,432,350, out of which 225 hume pipes valued at Rs.709,250 had been retained in the Agrarian Services Centres without being distributed to farmers organizations. Moreover, 66 hume pipes distributed among farmers organizations valued at Rs.321,250 had been retained in the houses without being used and 7 hume pipes valued at Rs.43,430 had not been received by farmers organizations.
- (h) As the identification of suitable locations to install generators and the building plans and estimates required therefor had not been prepared before being purchased generators or simultaneously, the electric generator sent to the Karawanella base hospital, costing Rs.8,400,000 had remained idle for a period of 01 year and 06 months.

6.7 Provincial Road Development and Improvement

The following deficiencies were observed at an audit test check carried out in respect of Provincial Roads constructed during the year under review under the provisions of the Provincial Ministry of Road Development, Rural Infrastructure facilities, Tourism and Sports and Youth Affairs.

- (a) An agreement had been entered into at a value of Rs.115,057,000 on 07 December 2016 for the development of 4.7 km distance of Morathota Ketethenna Road by carpeting and the commencement of construction had delayed by 2 months. According to the agreement, the construction work should be completed and handed over on 19 September 2017, but after about 30 per cent construction progress, construction works had been halted halfway in November 2017 and the work had not been restarted even by January 2018.
- (b) An overpayment of totalling to Rs.5,073,839 had been made in excess of the payable amount for 6 works executed under the supervision of the Embiliipitiya Pradeshiya Sabha.
- (c) Twenty hoardings valued at Rs.300,000 relating to 20 projects implemented under the supervision of the Embilipitiya Pradeshiya Sabha, the full payment of which had been made had not been installed.
- (d) Even though, a sum of Rs.1,508,292 had been paid for 101.70 cubic meters of concrete in the concreting of road from gamameda road to Kiulaara junction project, the work of which had been completed on 12 May 2017, it was observed at the physical verification

that the surface concrete of the road within 200 meters from the beginning of the road had been fully detached and the 3/4” rubbles had come up.

- (e) Even though a sum of Rs.234,179 had been paid under 2 work items for the preparation of base before laying concrete on the road from Ihala Welikada to Wevalanda, the base had not been built in accordance with specific standard and as such the concrete layer of the entire road, 215.2 meters in length had cracked in length-wise. In addition, the surface concrete layer of the entire road had detached and 3/4 ” rubbles used for the concrete had come up.
- (f) Even though, a sum of Rs.1,414,858 had been paid for spreading 95.40 cubic meters of concrete under one work item on the Udawalawa Mudunmankada road, 212 meters in length, the work of which had been completed on 20 July 2017 the concrete layer of the entire surface of the road had detached and the 3/4 ” rubbles used for the concrete had come up.
- (g) Even though, a sum of Rs.1,677,714 had been paid for 120.15 cubic of concrete under one work item of the Thunkama Chandrikarama road, the work of which was completed on 12 September 2016, cross crack lines about 5 meters in length had existed in 3 places within 100 meters towards the beginning of the road from the Temple before transcendence of 13 months after the completion of works, the concrete layer on the surface of the road had detached and the rubbles used for the concrete had come up. In addition, ‘hunny comb’ features had come up in the concrete mixture.
- (h) As three places in the uncarpeted road up to Delgas Junction via Kahawatta- Kattange had severely dilapidated and dwelling a total of water on the surface of the road, the vehicle transport had been at a very dangerous level. As such, an estimate for Rs.13,446,000 had been presented in December 2017 for the repair of this road, according to the decision of the District motor vehicle committee taken in October 2017, but it had not been implemented even up to January 2018.
- (i) The value of Rs.3,181,321 estimated for the development of Ganegama-Denawaka road being carpeted 752.19 meters in length had included a provision of Rs.20,000 to get the quality test report of the project. However, without ascertaining the quality test report, works done valued at Rs.2,965,592 had been recommended by the Executive Engineer.
- (j) After being repaired the Mahawalathenna Walawwa road, an extent of 100 meters from road access from the place 2.2 km to the place 2.3 km had completely cracked, but action had not been taken to get it repaired by using the retention money amounting to Rs.190,817 even up to December 2017.

6.8 Transactions of Contentious Nature

The following observations are made.

- (a) A financial sponsorship of Rs.1,000,000 had been granted by the Provincial Ministry of Industries for the 2017 award ceremony conducted annually by the Sabaragamuwa Chamber of Commerce and Industry to select the “Sabaragamuwa Province Excellent Entrepreneur”. This money had been paid as a final payment on a rough expenditure estimate without a proper approval and only based on the request letter sent by the Chamber of Commerce. A financial sponsorships of Rs.600,000 had been granted in the year 2016 as well for a similar program.
- (b) Even though, all the assets provided to the Provincial Ministers by the Provincial Council should be handed back to the Provincial Council after the dissolution of the Provincial Council, 58 items of equipment totalling Rs.7,160,280 supplied to the Provincial Counsellors, including the Chief Minister had not been handed over back to the Provincial Council even by November 2017.
- (c) The following matters were observed in respect of transactions of the incentives Fund.
 - (i) Accounts of the Fund had not been prepared for 22 years since the establishment of the Fund in the year 1994 and a final account had been prepared for the year 2017. As such, a reasonable assurance could not be established on the accuracy of the transactions and their accounting carried out during the past 22 years, the accuracy of opening balances shown in the balance sheet as at the end of the year 2017 presented and the accuracy of opening balances of all the years, continuously brought forward up to the year under review.
 - (ii) An overpayment of incentives totalling Rs.3,677,966 had been made contrary to section 06 of the public service Salary Revision – 2016 Circular No.03/2016 dated 25 February 2016.

6.9 Irregular Transactions

The following matters were observed.

- (a) Even though, a total provision of Rs.5,893,620 had been made for 4 projects identified under the supervision of the Embilipitiya Pradeshiya Sabha on the provision of Provincial Ministry of Roads, those works had not been executed in the relevant locations as agreed. The Technical Officer stated that provisions received for those works had been used for development works of some other 3 locations but any documentary evidence in respect of those changes had not been filed.

- (b) The approval had been granted by the Chief Secretary to obtain 4.5 per cent as consultancy fees for construction works proposed by the Central Government Departments and to make payments, so as to cover the contribution of the officers of the Engineering Services Department who directly contributed to those works. However, main requirements to be fulfilled in respect of these payments had not been stated in that letter and as such the scope of audit in order to examine the consultancy payments made had been limited.
- (c) A total sum of Rs.1,238,545 had been spent from the Provincial Council Fund to carry away gifts at 4 foreign trips made by the former Chief Minister during the period from January 2017 to 30 September 2017.
- (d) Despite, there was a possibility of issuing directly “accounts payee” cheques for the Sabaragamuwa Province tour of Iranian National Cabadi Team, organised by the Sports Development Department, cash totalling Rs.1,947,860 had been issued as advances to cover the expenditure. A sum of Rs.1,295,200 had been paid to a private entity selected without calling for quotations for the supply of food and lodging for 7 days to 31 Sportsmen from those advances. A total sum of Rs.264,700 had been spent as expenses, not related to this tour.
- (e) A total sum of Rs.1,684,000 incurred in 10 instances as entertainment and hotel charges in respect of festivals and public meetings of the Provincial Minister of Roads had been reimbursed by cheques written in the name of the Minister.

6.10 Assets Management

(a) Idle and Under-utilized Assets

Fourteen items of plant and machinery valued at Rs.32, 285,778, 11 items of plant and machinery, the value of which not identified, one building valued at Rs.2,931,183 and a motor vehicle, the value of which not identified and belonged to various entities of the Provincial Council had remained idle for periods 6 years, ranging from 7 months to 06 years, since 2 years and 2 years respectively.

(b) Annual Board of Survey

Out of 299 schools located within the Education Zones of Ratnapura and Mawanella, particulars about the year in which board of surveys had been conducted last time were not made available in 178 schools. Out of 689 schools belonging to the balance 5 zones, board of surveys had not been conducted in 340 schools for the year 2016, representing a material percentage of 50 per cent. Likewise, the number of schools which had not conducted annual board of surveys for over 5 years in 2 zones amounted to 70.

(c) **Assets encroached by external parties**

Even though, a part of the land where government quarters were situated and belonged to the Provincial Ayurveda Department and a part of the land belonged to the Kahawatta base hospital had been encroached by external parties, those properties had not got settled.

6.11 Uneconomic Transactions

The following observations are made.

- (a) Even though, a sum of Rs.1,536,234 had been paid in respect of filling earth brought from outside, attenuating and crushing earth for the development of the Sports Ground at Kolambagara school constructed under the supervision of Embilipitiya Pradeshiya Sabha with the provisions of the Provincial Ministry of Roads, that work item had not been performed. As a result of the above development works, the sports ground had become worst than the condition existed before and it was impossible to use the ground due to filling rain water and the denudation of soil and as such the expenditure of Rs.1,969,287 incurred thereon had become fruitless.
- (b) A fully insured motor vehicle belonged to the Governor's office had met with an accident on 08 May 2016 and the reimbursement of expenditure of Rs.620,000 incurred to recover the loss had been rejected by the Insurance Company and action had not been taken to recover same.

6.12 Apparent Discrepancies

The following matters were observed.

- (a) Even though, a sum of Rs.1,986,576 had been paid by the Provincial Ministry of Roads to a farmers organization for the stage 1 of the Thimbolketiya school sports ground development project implemented under the supervision of the Embilipitiya Pradeshiya Sabha, the Sports Ground had not been developed under that stage.
- (b) Of the donations totalling Rs.8,338,450 given to temples for various religious festivals by the Chief Ministry, a sum Rs.1,335,000 was not received by the relevant temples, as observed at a sample test of Rs.1,700,000 which represented 20 per cent of the donations. It had been a material percentage of 78 per cent of the selected sample.
- (c) A cheque valued at Rs.150,000 issued by the Chief Ministry for the repair of a roof of a Pre Childhood Development Centre and to issue Sports equipment had been obtained by the Karyala Karya Sahayaka of the Ministry by preparing fake documents.

6.13 Fruitless expenditure

The following matters were observed.

- (a) A group of officers of the Ministry of Industries and the Industrial Development Authority had made a tour in China for a popularisation of electricity from solar power project. Nevertheless, any benefit such as obtaining expected technical knowhow, giving training and doing direct foreign imports had not been fulfilled from this tour. Subsequently, a sum of Rs.5,833,000 had been spent to fulfil the solar power requirement of 5 entities under the Ministry of Industries through a local entity. Accordingly, the expenditure of Rs.6,891,189 incurred on this tour had become a fruitless expenditure.
- (b) Calling for bids for the supply of security services to the Sabaragamuwa Provincial Council Complex for the year 2017 had been cancelled without adducing any reasonable cause and as such a sum of Rs.115,575 spent for newspaper advertisement had become fruitless. The security firm which provided security services in the year 2016 had also submitted bids for the year 2017. However, there were 5 entities which had submitted lower quotations than the above but the service of the same firm had been obtained even up to March 2018 having being extended the contract period due to the above cancellation.

6.14 Weaknesses in contract administration

The following matters were observed.

- (a) The Chief Ministry had entered into an agreement on 30 December 2015 with a private company for the supply and installation of passenger shelters valued at Rs.56,700,000 in the selected 200 places within the Sabaragamuwa Province within the period of 90 days. Due to defects in the procurement evaluation, awarding and constructions, a total loss of Rs.11,015,700 had sustained by the Provincial Fund and the works of 15 passenger shelters had not been completed even by 31 January 2018. The extension of period had not been given properly after 30 June 2016 and the demurrage charges of Rs.2,349,900 for 580 days up to 31 January 2018 had not been recovered.
- (b) Even though, a sum of Rs.1,970,273 been spent for the development of the ජ/අලමි/Nindagam Pelassa Vidyalaya, soil of the sports ground was washed and eroded and cracks everywhere in the entire ground due to irregular soil crushing. Moreover, an over payment of Rs.353,676 had been made for those construction works.
- (c) The second stage of 2 laboratories, the works of which the first stage had been completed by spending a sum of Rs.3,710,676 by December 2017 by the laboratory building construction project commenced in the year 2015 in 13 schools in the Balangoda Education Zone, had not been implemented they had not been used even up to February 2018. Although, an agreement had been entered into in November 2015 to construct one

laboratory building within 6 months, 39 work items valued at Rs.1,179,643 had not been completed even up to February 2018.

- (d) The toilet system built in the year 2016 at මහා විද්‍යාලය Maha Vidyalaya valued at Rs.797,590 by the “Nearest school best school” project had been abandoned without being used due to lack of water facilities.
- (e) An overpayment of Rs.206,400 had been made for the repair of Dehiovita Maliboda Devanda School and no any written evidence available for the payment of Rs.729,791. Similarly, a sum of Rs.136,344 had been incurred from the account of the School Development Society without approval.
- (f) In considering the value of works in the approved final bill of the development works of side wall at the Embilipitya primary school sports ground and the value payable for the works actually done by 04 October 2017, payment had been approved for work valued at Rs.915,431 not done and submitted to the Provincial Ministry of Roads on 04 September 2017. Cubic meters of 6.66 work value of which amounted Rs.98,773 for the foundation of the side wall under work item 2 had not been used. As a result of not laying foundation in accordance with the specific standard, the existence of the store wall built in a paddy area with clayey soil, would be problematic.
- (g) An overpayment of Rs.190,571 had been made in respect of premises ornamentation project of the councillors Circuit Bangalow belonged to the Council Secretariat. As a formal agreement had not been entered into in terms of guideline 8.9.1 (a) of the Procurement Guideline – 2006, legal action could not be taken against the relevant party in respect of not performing the agreed work items.

6.15 Delayed Projects

Seventy six construction works executed by 3 Ministries/ Departments had been delayed due to various reasons and 20 construction contracts in one Department had been completely abandoned without being commenced.

6.16 Projects not adequately performed

A sum of Rs.974,120 had been granted to 14 clay industrialists to make workshop in the Godakawela Buluwana Village. Constructions of any workshops had not been completed according to the written compromise agreed upon. As 50 per cent of the total cost had to be borne by the beneficiaries and that was the reason for the failure of the Project. Non-availability of road facilities to reach the natural clay deposit had been the foremost challenges to the industrialists list but it had not been resolved.

6.17 Procurement

Supplies and Services

The following matters were observed.

- (a) A total sum of Rs.955,608 had been spent for the purchase of tyres for 4 motor vehicles belonged to the Governor's Office in 6 instances during the year under review. The council fund had incurred a loss of Rs.223,832 due to errors and discrepancies occurred in the Procurement Process.
- (b) A sum of Rs.269,200 had been paid to a private entity for the purchase of gifts to be awarded to the foreign representatives came for the 20th International Students quality conference, deviating from the procurement process.
- (c) By rejecting the lowest bids valued at Rs.877,478 without a reasonable cause, received for the creation of a DVD on Sabaragamuwa Province Tourist Promotion implemented by the Provincial Ministry of Roads, the Procurement Committee had granted approval on 27 October 2016 for the bid valued at Rs.984,000. As a result, the Provincial Fund had sustained a loss of Rs.106,522 and the related creations had not been completed even up to 18 January 2018.

6.18 Human Resources Management

6.18.1 Personal Management

The following matters were observed.

- (a) An officer retained in the post of Chief Ministry's Secretary from 01 January to 5 April 2017, disregarding the annual transfer orders of the Sri Lanka Administrative Service, had been released from the Provincial Public Service by the letter dated 06 April 2017 of the Secretary of the Provincial Public Service Commission. Disregarding that order, this officer had further waited within the Provincial Council and a cab belonged to the Department of Co-operative Development had met with an accident on 09 June 2018, while he had been driving. Nevertheless, any investigation whatsoever had not been carried out in that connection and the cover up duties allowance of Rs.28,260 in addition to his salary and pensions fund directors allowance totalling Rs.44,312 for the period from April to July 2017 had been paid for the period waited in the post of Secretary to the Chief Ministry disregarding the change of station transfer order.
- (b) Contrary to the general instructions of the cadre issued by the Department of Management Services, effective from 01 January 2013, a female officer in grade III of the Sri Lanka Administrative Service had been appointed to act in the post of Secretary of

the Co-operative Commission which was a grade II post in the Sri Lanka Administrative Service and a sum of Rs.403,364 had been paid as acting allowances relating to the period from January 2013 to September 2017.

- (c) Eighty eight officers and employees under various groups had been deployed in the Undugoda Animal Control and Development Training Centre by 28 July 2017 but there was no properly approved cadre.

6.18.2 Excesses and Shortages of staff in the Education Sector

In the comparison of the suitable number of teachers prepared by the Provincial Department of Education in considering the teachers requirements of the Sabaragamuwa Province, shortages and excesses of teachers in respect of main subjects had existed. Particulars are given below.

Subject	6 – 11 Secondary Section		12 – 13 Advance Level Section		
	Shortage	Excess	Subject	Shortage	Excess
English	161	79	Science and additional subjects	41	24
Technology Subject	633	52	Commerce subjects	33	43
Science	171	65	Arts Subjects	37	163
Mathematics	186	67	Technology Subjects	35	3
Other Subjects	1433	334			

The details above had been prepared on the basis of 2016 information and a report on shortages and excesses in the year under review was not made available to audit by the Department of Education.

6.18.3 Excesses and Shortages of Health Sector Staff

Excesses and Shortages of staff at various institutional level in the Health Sector are given below.

Posts	Office of the Provincial Director of Health Services		Office of the Regional Director of Health Services, Kegalle and Provincial Hospitals of Kegalle District		Office of the Regional Director of Health Services, Ratnapura and Provincial Hospitals of Ratnapura District		Embilipitiya Hospital
	<u>Excess</u>	<u>Shortage</u>	<u>Excess</u>	<u>Shortage</u>	<u>Excess</u>	<u>Shortage</u>	
Medical Officers	-	02	-	68	-	30	34
Dentist	-	-	-	03	-	14	02
Nurses	-	01	99	-	-	33	71
Ward Sister	-	-	-	14	-	06	11
Medical Laboratory Technicians	-	-	-	09	-	20	04
Radiographer	-	-	-	04	02	-	03
Physiotherapy	-	-	-	03	-	04	01
ECG Technician	-	-	-	05	-	-	02
Dispenser	-	-	09	-	-	47	01
Pharmacist	-	-	-	11	-	18	04
Occupational Therapist	-	-	-	02	-	-	01
School Dental Therapists	-	-	-	04	-	-	-
Entomologist Assistant	-	-	-	08	-	01	01
Mid-wife	-	-	-	125	-	126	10
Public Health Inspector	01	-	-	06	-	21	-
Public Health Field Officer	01	-	09	-	-	14	-
Attendant	-	-	-	38	-	-	80
Laboratory Inspector	-	-	-	03	-	-	-
Health Office Aid	-	03	428	-	330	-	80
Overseer	-	-	-	07	-	-	01
Optician	-	-	-	01	-	01	-
Total	02	06	545	311	332	335	306

6.19 Bank Reconciliations

The following matters were observed.

- (a) Action had not been taken in respect of 57 cheques totalling Rs.1,027,670 issued by various institutions under the Provincial Council and not presented for payment lapsed for more than 6 months in terms of Provincial Financial Rule 283.4 and the follow up action had not been taken in respect of 31 unrealised deposits totalling Rs.282,232, elapsed for more than 6 months.
- (b) Unidentified credits relating to 2 bank accounts totalled Rs.980,524.

7. Accountability and Good Governance

7.1 Audit and Management Committees

Meetings of only 3 Audit and Management Committees had been held by one ministry and one Department during the year under review.

7.2 Observations on Unresolved Audit Paragraphs

Corrections in respect of 25 audit paragraphs relating to 6 Ministries/ Departments included in the report of the Auditor General in 8 years from 2003 to 2010 which had been discussed at the Committee on Provincial Accounts, had not been made.

8. Systems and Controls

Weaknesses in Systems and Controls observed in audit had been brought to the attention of the Heads of Institutions of the Provincial Council and the Chief Secretary from time to time. Special attention is needed in respect of the following areas of systems and control.

System	Weakness
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(a) Accounting	Fixed assets not brought to accounts.
(b) Revenue Management	(i) Existence of variations between the estimated and actual revenue. (ii) Non-recovery of arrears of revenue.
(c) Assets Management	(i) Existence of idle and under-utilized assets. (ii) Board of Surveys not conducted in a manner to cover all the offices.

- (d) Human Resources Management Existence of staff shortages and excesses.
- (e) Contract Administration (i) Payment made for works not done.
 (ii) Non-recovery of demurrage charges.
- (f) Implementation of projects (i) Long delays in the implementation of projects.
 (ii) Existence of projects not started.
- (g) School Management Teachers balancing within the province at a weak level.