

Sabaragamuwa Provincial Council – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sabaragamuwa Provincial Council for the year ended 31 December 2021 comprising the statements of financial position as at 31 December 2021 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 (3) 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 and provisions of the National Audit Act, No. 19 of 2018. The Summary Report was issued on 30 September 2022 in terms of Section 23(2) of the Provincial Councils Act and provisions in Sub-section 11(1) of the National Audit Act, No. 19 of 2018. The Detailed Management Audit Report was issued on 12 October 2022 in terms of Sub-section 11(2) of the National Audit Act. This report is presented to Parliament in pursuance of provisions in Article 154(6) of the Constitution and Sub-section 10(1) of the National Audit Act and a copy of the report is submitted to the Governor for tabling at the Provincial Council in terms of Section 23(2) of the Provincial Councils Act, No. 42 of 1987.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements of the Sabaragamuwa Provincial Council give a true and fair view of the financial position of the Sabaragamuwa Provincial Council as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Non-current assets relating to the Provincial Department of Health Services had been understated by Rs.286,556,686 in the statement of financial position as at the end of the year under review.	It has been noted to give necessary instructions for rectification of the said difference in the year 2022.	Non-current assets should be brought to account accurately.

- (b) The impact of rectifications totalling Rs.73,363,162 made relating to 03 accounts balances remained as at the end of the preceding year, had not been indicated in comparative values of financial statements of the year under review.
- In the preparation of final accounts of the year 2021, figures audited in the year 2020 have been comparatively presented. However, rectified figures will be comparatively presented in rectifications made in future.
- Financial statements should be presented accurately.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those financial statements are further described under the Auditor's Responsibility section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management for the Financial Statements

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

Management of the respective institutions including the Provincial Treasury is responsible for the financial reporting process of the Provincial Council.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Provincial Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable to preparation of annual and periodic financial statements.

1.4 Responsibility of the Auditor for the Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a materiel misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards I exercise professional judgment and maintain professional skepticism throughout the audit, I also,

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- A fraud is caused by Intentional omission or omission of internal controls.
- Obtain an understanding of internal control of the Provincial Council relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with management regarding among other matters, significant audit findings including any significant deficiencies in internal control that I identified during my audit.

1.5 Comments on Financial Statements

1.5.1 Head 804 – Chief Secretariat

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>Approval of the Board of Management of the Urban Development Authority and the Cabinet had been received in the year 2001 to lease out a plot of land for Rs.11,136,000 (Including tax) for the construction of the Sabaragamuwa Provincial Council Complex. However, a sum of Rs.2,255,027 had to be over paid due to delay in paying installments from the year 2001 to 31 December 2019 by the Chief Secretariat and it was observed in audit that the negligence of officers, in charge of the subject had attributed to the said delay.</p>	<p>Even though the Urban Development Authority had been requested to waive off the interest of Rs.2,308,044, it was rejected and the approval of the Governor had been received for making payments. Moreover, it has been informed by the Letter dated 01 April 2022 of the Director of the Urban Development Authority that action is taken to vest the said land after obtaining its freehold title.</p>	<p>Action should be taken to recover the loss sustained by the Government and expedite the vesting of ownership of the land.</p>

1.5.2 Head 808 – Deputy Chief Secretary (Engineering Services) Office

Audit Observation	Comments of The Chief Accounting Officer	Recommendation
Constructions of 11 projects commenced during the period from 2016 to 2019 under the Project of “Nearest School is the Best School” for the contractual value of Rs.188,985,906, supervised by the Kegalle Executive Engineering Office, had been discontinued by the year under review due to reasons such as issues on constructions sites, delays in payment of partial payments to contractors.	These construction works have not been completed due to various reasons and the contractual authorities have been briefed thereon.	Action should be taken to complete relevant projects during the contractual period.

1.5.3 Head 809 – Department of Provincial Revenue

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The value of arrears of lease revenue recoverable by the Department of Provincial Revenue, Sabaragamuwa Province relating to the period between 1991 and 2019 as at 01 January 2021, amounted to Rs.20,752,999 and of that, the value recovered by 31 December 2021 was at a level as low as Rs.2,285,345 representing 11 per cent. In terms of Sabaragamuwa Provincial Financial Rule 116.3, the Provincial Commissioner of Revenue should report to the Chief Secretary on delays of recovery of arrears of lease. Nevertheless, it had not been so done.	Action is taken to forward a copy of half-yearly reports on arrears of revenue to the Chief Secretary as per the Provincial Financial Rule 116.3.	Action should be taken in terms of Financial Rules and to recover arrears of revenue expeditiously.

1.5.4 Head 810 – Ministry of Law and Order, Finance and Planning, Local Government, Health, Indigenous Medicine and Women’s Affairs, Co-operative, Trade and Food, Transport, Estate Welfare, Environment, Media, Housing and Construction and Religious Affairs

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) A Jeep belonging to the Ministry had met with an accident on 05 September 2017 and it had been carried to the agent for repairs. However, the Agent had rejected its repairs and informed that taking action considering it as a full damaged vehicle is appropriate. Accordingly, in case of transferring the said vehicle to the insurance company on full damage basis, the insurance company had agreed to grant an indemnity of Rs.25 million. However, the Chief Secretary had decided to repair the said vehicle. Furthermore, the vehicle had been directly handed over to a private institution instead of selecting a suitable institution adhering to Government Procurement Guidelines and repairs had not been completed by the end of the year under review. Moreover, an estimate as well had not been prepared for repairs.</p>	<p>Most of repairs of the Jeep have been completed and information relating to the selection of the relevant institution has been requested from the Chief Secretary.</p>	<p>1. Procurement Guidelines should be adhered to and uneconomic decisions should not be taken by officers. 2. Repairs should be expedited and relevant indemnity should be settled from the insurance company</p>
<p>(b) A sum of Rs.100 million had been approved through a supplementary financial statement to the Chief Ministry in the year under review for the purchase of equipment required for the compost production in an appropriate and standardized manner, carried out by local authorities of the Sabaragamuwa Province. The Chief Ministry had purchased 10 equipment required for the management of non-degradable garbage, not relevant to the compost production by spending a sum of Rs.9,500,000 of the said provision on 31 December 2021. Even though the said machines</p>	<p>Those 10 machines had been handed over to local authorities by now.</p>	<p>Provision should be utilized for the objectives for which provision was made and action should be taken to reap intended benefits from expenditure incurred.</p>

had been provided to 10 local authorities, those machines could not be utilized even up to 22 September 2022 due to unavailability of Three Phase electricity.

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| <p>(c) Even though 05 community based water projects had been constructed spending a total sum of Rs.6,376,906 by the Chief Ministry during the period from the year 2017 to the year 2020, the relevant beneficiaries could not be provided with drinking water even by the end of the year under review due to defects such as unavailability of Three Phase electricity, failure to include the water motor and water retention tank etc. in the estimate</p> | <p>Action has been taken to include the completion of defects in water projects in the Development Plan 2022 and to supply the electricity requirement.</p> | <p>In planning the projects, requirements should be identified accurately and action should be taken to reap intended benefits by completing existing defects.</p> |
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1.5.4.1 Road Passenger Transport Authority

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) According to schedules relating to 05 Revenue Objects, balances recoverable as at 31 December 2021 totalled Rs.26,714,713. The said balance included a balance of Rs.13,524,646 remained over 01 year and action had not been taken to recover those balances.</p>	<p>Those balances had remained unrecovered due to Covid pandemic prevailed in the years 2020 and 2021 and action has been taken to recover a large amount of these balances in the year 2022.</p>	<p>Action should be taken to recover the balances recoverable.</p>
<p>(b) Instead of taking action to obtain the approval for posts such as the District Manager, Accounts Assistant, Operation Manager, Welfare Officer and Watcher, 10 persons had been recruited to the said posts and salaries had been paid to them and 57 persons had been recruited in excess than the approved cadre in 03 posts.</p>	<p>It has been forwarded to the Department of Management Services through the Finance Commission seeking the approval for those posts.</p>	<p>Action should be taken to obtain approval for those posts.</p>

- (c) In terms of Section 3 of the Letter No. DMS/SG/0505 dated 29 May 2017 of the Director General of Management Services, it had been specified that recruitments should be made on the basis of payment of salaries from revenue of the relevant institution. However, contrary to that, the monthly amount spent for salaries of the approved cadre had been reimbursed from the Chief Ministry for settling the budget deficit of the year 2021.
- A number of 118 officers have been approved by the Finance Commission and provision will be allocated to pay salaries of those officers through the Chief Ministry.
- Action should be taken in terms of the Letter of the Director General of the Management Services.

1.5.4.2 Development Construction and Machinery Authority

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
In terms of paragraph 02 of the Letter No. DMS/SG/0504 dated 19 July 2019 of the Director General of Management Services, the cadre of the Authority had been approved on the basis of payment of salaries from the revenue earned. However, the Chief Ministry had paid a sum of Rs.6,000,000 as a grant during the year under review to pay personal emoluments of the staff of the Development Construction and Machinery Authority.	As the revenue of the year 2021 had dropped to a certain extent, the said grant has been made after explaining relevant matters to the Governor.	Action should be taken by consulting the Department of Management Services.

1.5.4.3 Pinnawala Iperanigama Theme Park

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>In terms of Section 25.1 of the Pinnawala Iperanigama Theme Park Statute No. 01 of 2016, an initial capital can be funded by the Provincial Council's Fund to continue the Theme Park till it reaches its income generation level. Moreover, in terms of Section 25.3, in case of breakdown of the income generation process of the Theme Park under financially difficult occasions, to bear wages and maintenance expenses sufficient for 06 months, the Sabaragamuwa Provincial Council can be granted an interest free and within 10 months payable loan from the Provincial Council's Fund.</p> <p>Accordingly, the Chief Ministry had paid advances totalling Rs.7,529,920 by the end of the year under review for the payment of salaries and allowances relating to the Theme Park and instead of recovering the said amount, it had been brought to account and settled the advances as an expenditure of the Chief Ministry.</p>	<p>Due to unavailability of favourable situation in the Institute for the settlement of loans within a short period with the collapse of tourism industry as a result of the situation prevailed in the country, the said financial provision was made to the Institute by the Provincial Council's Fund on the approval of the Governor for the going concern of the Institute in terms of provisions of Sub-section 25.1 of the Pinnawala Iperanigama Theme Park Statute No. 01 of 2016, under the situation prevailing further in the country.</p> <p>Moreover, action has been taken to settle all advances by utilizing the said provision, which were unable to settle due to the unfavourable in generation level.</p>	<p>Action should be taken in terms of provisions of the Statute.</p>

1.5.5 Head 811 – Department of Health

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>(a) During the physical inspection carried out in 07 institutions on sample basis by the Audit relating to repairs carried out providing advances to the Heads of the Health institutions including hospitals, Medical Officer of Health Offices in the District of Ratnapura, by the Regional Director of Health Services, Ratnapura, it was observed</p>	<p>All Heads of Health Institutions in the District of Ratnapura have been instructed on the methodology to be followed in repairs carried out on direct basis and action will be taken accordingly. Furthermore, a Committee had been appointed to conduct a preliminary</p>	<p>Overpayments should be recovered from responsible parties and follow up action should be taken to examine whether the methodology introduced is implemented</p>

that daily pays of Rs.1,048,550 had been obtained in excess by the labour supplier submitting false information that workers have been deployed in repairs carried out in 05 of those institutions.

investigation on repairs carried out so far and further action will be taken after receiving the said report.

- (b) The approved cadre attached to the Office of the Director of Health services in the District of Kegalle stood at 126 and the actual cadre stood at 219, thus observing 10 vacancies in 08 types of posts and 103 excess cadre on 07 types of posts.
- These officers have been deployed in the service with a view to continuing services properly and attention will be drawn towards the filling of vacancies as required and balancing the excess cadre in future.
- Action should be taken to fill vacancies and obtain the approval for the excess cadre or to attach them to another suitable place.

1.5.6 Head 813 – Department of Co-operative Development

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) In terms of Section 05 of the Circular No.2014/04 dated 03 July 2014 of the Sabaragamuwa Provincial Commissioner of Co-operative Development, in making investments in Rural Bank Societies and Thrift and Credit Co-operative societies by the Co-operative Rural Banks and other financial services co-operative societies, investment should be made only up to a maximum of 15 per cent of deposits upon the approval of the Commissioner of Co-operative Development. Nevertheless, 21 societies had made investments in these societies, ranging from 16 per cent to 81 per cent of deposits.	Regional Officers of Co-operative Development have given instructions relating to investments made exceeding 50 per cent.	The Management of the Department of Co-operative Development should be briefed on weaknesses in financial activities of societies by supervising officers and relevant rectifications should be made by them.
(b) In terms of Section 43(b) of the Co-operative Society Enactment No. 3 of 2007 of the Sabaragamuwa Province, final annual accounts and a balance sheet including information on accounts and statistics relating to activities of the society, should be prepared by every	Final accounts have been prepared by all 13 Multi-Purpose Co-operative Societies as at 01 June 2022. Only several societies of other societies except for the Multi-	Key functions of the Department should be implemented by paying more attention thereon.

registered society and it should be submitted to the Registrar within 03 months after closure of the financial year. However, out of 243 active societies in the District of Ratnapura, 152 societies had not prepared and submitted final accounts for the year 2020 and as such, those societies could not be audited annually in terms of Section 44(1) of the said Enactment. Lack of understanding on the preparation of final accounts with officers of Co-operative societies had been the main reasons therefor. As such, it was observed that inspection of co-operative societies and performing the mission of the Department relating to operation of accounts, which is one of key functions of the Department of Co-operative Development, had not been carried out in an adequate manner.

Purpose Co-operative Societies have been submitted final accounts.

- (c) In terms of Section 58(1) of Chapter XI of the Co-operative Society Enactment No. 3 of 2007 of the Sabaragamuwa Province, the authority of settlement of disputes arisen in a registered society is vested in the Registrar and provisions had not been set out in the Enactment for depositing money from societies to settle these disputes. However, arbitration fee is charged from relevant societies for settlement of disputes by the Department and paid to officers who engage in the settlement of disputes and a total sum of Rs.4,276,848 had been paid as arbitrators' fees accordingly. However, as per the definition of relevant Sections of the Enactment obtained from the Legal Officer of the Sabaragamuwa Provincial Council by the Audit, observations were made that the payment of arbitrators' fees is an illegal procedure.

Arbitration fees will be charged in terms of the Circular 2019/08 considering stationery and postal expenses to be incurred in the settlement of disputes, time spent therefor and the complexity of the dispute.

Illegal payments should not be made.

- (d) In terms of Section 59(7) of Chapter XI of the Co-operative Society Enactment No. 3 of 2007 of the Sabaragamuwa Province, the Registrar shall appropriate as per the decision or judgement in respect of the amount to be charged from the Court and remitted to the Registrar. However, decisions or judgements relating to court proceedings have not been received by the Department and it was observed that 2 per cent of court fines received is paid to officers who engage in court proceedings as incentive and remaining 98 per cent is remitted to the relevant societies. Accordingly, a sum totalling Rs. 1,863,515 had been paid to relevant officers during the year under review as incentive. However, as per the definition of relevant Sections of the Enactment obtained from the Legal Officer of the Sabaragamuwa Provincial Council by the Audit, observations were made that the payment of arbitrators' fees is an illegal procedure.
- Two per cent of the amount remitted by courts with the recommendation of the Secretary to the Provincial Ministry of Co-operative and the approval of the Governor has been paid to officers who engage in court proceedings, as incentive.
- Illegal payments should not be made.

1.5.7 Head 814 - Department of Local Government

Audit Observation	Comments of the Accounting Officer	Recommendation
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In terms of Declaration of Assets and Liabilities Act, No.01 of 1975 as amended by Act, No.74 of 1988 and the circular No.SP/CSA/07/07 dated 18 May 2007 of the Secretary to the President, Mayors, Chairmen and members elected to Local Authorities by public vote, should submit their declarations of assets and liabilities to the Secretary to the Ministry of Local Government or the Commissioner of Local Government as relevant. Nevertheless, 805 out of 807 members elected to 29 Local Authorities by the Local Government Elections of the year 2018, had not submitted their declarations of assets and liabilities even by May 2022.	Enquiries have been made through letters for obtaining declarations of assets and liabilities of public representatives of all Local Authorities.	Action should be taken in terms of referred laws.

1.5.8 Head 820 - Ministry of Provincial Roads Development, Rural Infrastructure, Tourism and Sports and Youth Affairs

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) In view of improving the Provincial tourist industry, the Namaldeniya tourist rest house had been constructed in the year 2005 related to the Ratnapura Colombo Main Road with the intention of establishing a centre with facilities for local and foreign tourists travelling across the Province. The Ministry of Highways had incurred an expenditure totalling Rs.12,641,235 during the period from the year 2004 to September 2021 for this building constructed without a proper feasibility study. Moreover, this rest house was kept open for only a period of 05 years from the year 2005 up to 31 December 2021 and this building had not been utilized for any purpose whatsoever for a period of 12 years.</p>	<p>This building was maintained up to the year 2011 by the Kuruwita Pradeshiya Sabha and it was again taken over by the Ministry in the year 2015 as the rest house was not in operation. Subsequently, the development activities thereof have been carried out. This tourist rest house was given out on monthly lease rental basis during the month of August in 2020 to an external party. However, as businesses are running at a loss due to the adverse effects to the tourism industry in the wake of Covid - 19 pandemic prevailing in the country, it had been returned to the Ministry after a period of 03 months.</p> <p>Afterwards, the said building was again returned to the Kuruwita Pradeshiya Sabha from 12.01.2021 on the request of the Kuruwita Pradeshiya Sabha. However, utilization of the said building for tourist facilities have become difficult due to the Covid-19 pandemic.</p>	<p>Constructions of this nature should be carried out after a proper feasibility study and action should be taken to avoid the loss occurred to the Government due to this construction.</p>

- (b) The estimated value for the maintenance works from 0 km to 6.2 km of the Sapumalkanda Road under supervision of the Dehiowita Executive Engineer's Office was Rs.2,790,000. However, the contractor had completed works with a work done value of Rs.1,385,320. It was observed at the physical inspection of this road on 21 October 2021 by the Internal Audit that out of the maintenance distance of the overall works, over 50 per cent of the road had been cracked and that the damage to the road had worsened during the period of maintenance of works up to a point where it could not be repaired from the retention monies. It is further observed that completion of works less than 50 per cent of the estimated amount had resulted in reducing the quality of the road and as such, the expenditure incurred had become fruitless.
- Payments have been made only for the works executed, which are essential for works. The period of maintenance of the works has ended on 06/05/2021 and the dilapidated condition of only a few places of the road have been observed by then. Even though the contractor had been informed to repair them, the contractor had not completed those repairs and as such, action has been taken to credit the retention monies to the Government revenue.
- Action should be taken to find out and blacklist the contractors who fail in completing works properly and in obtaining retention monies without remedying the defects pointed out.
- (c) The estimated value of the maintenance works from 0 km to 2.00 km of the Nooriya Polgaswatte Polpitiya (Gowala) Road under supervision of the Dehiowita Executive Engineer's Office was Rs.9.2 million and the contractual value was Rs.6.9 million. However, the value of completed works was Rs.4.9 million. Even though estimates had been prepared for a distance of 2 km of this road, only the remaining distance of 1.5 km had been maintained, mentioning that the section of the starting 500 m of the road will be executed by the Road Development Authority. As this road was proposed to be carpeted at the "Gama Samaga Pilisandararak" programme of the President held in Dickellakanda, action had been taken to end the works of which constructions were being executed. As such, the road has become severely damaged and the expenditure
- At the time of holding the progress review meeting headed by the Honorable Governor who had made decisions on completing these works, ABC Prime had been laid under the said works and as laying of ABC and Prime is a temporary remedy, it will be usually subjected to soil erosion with the passage of time.
- The Executive Engineers should be aware of essential maintenance works and accordingly, maintenance should be carried out by assigning works to contractors. Moreover, action should be taken so as to minimize the loss occurred to the Government and the public as a result of discontinuing works.
- As this road was proposed to be carpeted at the "Gama Samaga Pilisandararak" programme of the President held in Dickellakanda, action had been taken to end the works of which constructions were being executed due to instructions given by authorities to discontinue the works which

incurred had become fruitless.

were being executed by then, halfway.

(d) Six contractors of the Ministry of Provincial Roads Development, Rural Infrastructure, Tourism and Sports and Youth Affairs – Sabaragamuwa Province had been awarded with 18 contracts valued at Rs.115,823,454 of which works should have been commenced during the period from 16 July 2021 to 25 August 2021 and completed as at 13 October 2021 and 22 November 2022. However, out of the said contracts, those contractors had not commenced works of 07 contracts totalling Rs.46,476,848 by 31 December 2021. The physical progress as at 31 December 2021 of 11 contracts totalling Rs.69,346,606 of which works have been commenced, had been 5 per cent to 80 per cent while the financial progress had been Rs.7,592,760. A delay in the execution of these works were observed due to awarding of several works to one person during the same period. Even though Government funds were allocated, the relevant benefits could not be reaped by the public as works were not executed within the specified period.

These contractors were awarded with contracts according to their registered category.

Letters of requests have been submitted for cancelling projects or providing extensions indicating practical issues effected them (increase in prices, shortage of raw materials etc.) when carrying out projects by these contractors.

In awarding of contracts, in addition to the registered category, attention should be drawn towards delays, and neglecting of work.

(e) The balance of Rs.4,812,643 provided as advances for executing works commenced by allocating provision in the years 2006 and 2007 under road development, has elapsed 14 years by the end of the year under review. It has been informed in this regard through audit queries of the preceding year and in response, it had been informed that the Attorney General's Department has been referred to for directing for arbitration against the contractor. The said advances had not been recovered so far.

Notifications have been made on several occasions to the addresses provided by the Ministry for settlement of advances granted to contractors and definite information of their residence could not be found. The said contractors have not even presented themselves for the lawsuit they have instituted themselves, which was on trial at the Court of Appeal.

As a period of 14 years have elapsed after granting these imposts, action should be taken to recover the loss occurred to the Government, through legal proceedings.

The Attorney General has been consulted on

03.07.2020 regarding further measures to be taken relating to settlement of these imprests. According to those instructions, a request has been made to the Attorney General for his assistance on taking necessary action relating to arbitration against the relevant contractors.

1.5.9 Head 830 – Ministry of Social Welfare, Probation and Childcare, Rural Development and Rural Industries

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
<p>According to paragraph 02 (vi) of the Cabinet Memorandum No.21/1596/304/134 dated 28 August 2021 of the Minister of Finance submitted under the topic, “Review of Government Expenditure”, which received approval under Cabinet Decision No.CP/21/1596/304/134 of 07 September 2021, it had been proposed to review and suspend distribution of various goods and equipment by utilizing provision made under capital development programmes. Despite having such a proposal, provision had been made through the second supplementary cash statement under the Object Description of “Development Assistance”. A sum of Rs.11,596,320 thereof has been spent for purchase of plastic chairs, generators and kitchen appliances etc. for distribution among volunteer organizations.</p>	<p>Approval had been granted by letter No.CSP/MD/13 dated 13.08.2021 of the Chief Secretary and provision has been approved by letter No.CSP/10/SUP/21 of the Chief Secretary dated 07.11.2021.</p>	<p>As action has not been taken in terms of Cabinet Decisions, disciplinary action should be taken against relevant officers.</p>

1.5.9.1 Industrial Development Authority

Audit Observation	Comments of the chief Accounting Officer	Recommendation
The debtors balance brought forward over a period of one year unsettled even by the end of the accounting year relating to the Balawinna pre-mix yard, amounted to Rs.5,564,032.	A procedure has been implemented for recovery of relevant debtors' balances.	Action should be taken to expedite recovery of debtors' balances.

1.5.10 Head 840 – Ministry of Education, Information Technology and Cultural Affairs

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) There were 22 instances and 04 instances in which the preliminary investigation and the formal disciplinary inquiry carried out respectively by the Ministry of Education, Information Technology and Cultural Affairs and Zonal Education Offices, had been commenced since the year 2016 and not completed even by 31 December 2021.	Reminders have been forwarded for preliminary investigations and the formal disciplinary inquiries have been commenced at present.	Disciplinary action should be expedited in terms of circular provisions.
(b) In preparing the estimate of Rs.25,922,000 of works of constructing Stage 2 of the four storeyed building of the R/Dharmapala Maha Vidyalaya implemented by the Sabaragamuwa Provincial Ministry of Education, 37 items of works valued at Rs.4,668,029 executed on verbal instructions from the contractor who constructed Stage 1 of the said building, had been included fraudulently and awarded to	The first contractor had executed several parts of works of the building which should be essentially carried out so as to utilize the ground floor by the time of commencement of works after awarding the contract for this Stage 2. Moreover, it had been carried out in this manner due to the severe lack of space in classrooms prevailing in the school, the Covid – 19 pandemic which prevailed and to use the ground floor of the relevant	1. In awarding of contracts, action should be taken in terms of circular provisions while disciplinary action should be taken relating to officers who prepared and approved the contract estimates. 2. As an approved estimate is

another contractor. Accordingly, the Chief Secretary had informed that action will be taken to revise the Stage 2 estimate by removing the aforesaid parts of works executed by the contractor who completed Stage 1. However, action had not been taken accordingly even by 12 September 2022. Moreover, it was observed that this was not complied with Guidelines 1.2.1 (a), (b) and (f) which should be certified by the procurement process of the Procurement Guidelines. Furthermore, the Sabaragamuwa Provincial Ministry of Education had failed to obtain the Certificate of Conformity which should be obtained from the National Buildings Research Organization in accordance with paragraph 03 of the circular No.N.B.R.O 2011/01 dated 10 February 2011 of the Ministry of Disaster Management while the building plan relating to this construction had not been approved by the Urban Development Authority in terms of Section 23 (v) of the Urban Development Authority Act, No.41 of 1978 as amended by Act, No.04 of 1982.

building as a polling booth. In computation after taking the measurements of parts of works executed, the value of works executed had exceeded even 10 per cent of suspense monies. Action has been taken to make payments for the aforesaid parts of works executed by the contractor who completed Stage 1 and to revise by removing Stage 2 from the estimate.

Necessary steps have been taken by now to obtain the relevant insurance coverage and the Certificate of Conformity of the National Buildings Research Organization.

unavailable, making payments is inappropriate and the Stage 2 estimate should be revised, agreements entered into and constructions completed expeditiously.

3. Action should be taken to obtain insurance coverage.
4. Action should be taken in terms of circular provisions.

(c) Adequate imprests had not been received relating to the “Nearest School is the Best School” Project commenced since the year 2016 by the Provincial Ministry of Education under provisions of the line Ministry. As such, 12 projects with a contractual value of Rs. 202,457,148 had not been completed within a percentage

These works had to be cancelled without completing due to matters beyond the control of this Ministry.

Action should be taken to complete projects expeditiously by utilizing even Provincial Council funds.

ranging from 05 per cent to 60 per cent and it was observed that relevant agreements too had been terminated.

1.5.11 Head 841 – Department of Education

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) According to letter No.ED/08/23/05/13/01 dated 30 November 2020 of the Secretary to the Ministry of Education, 105 Tablet computers comprising 10 Tablet computers to teachers and 95 computers to students had been provided to a school in Ratnapura District by spending a sum of Rs.3,259,830 by the line Ministry under the Project of providing Tablet computers for Digital aided teaching relating to subjects of Science, Mathematics, English etc. for students of Grades 6-11 as one feature of the national policy for Development of the Learning Teaching Process of the School System. No coordination or supervision has been carried out by the Provincial Department of Education with the school relating to activities of the said computer project and the relevant computers and accessories had not been numbered with a permanent marker so as to identify them. Furthermore, from among these 105 Tablet computers provided on 07 April 2021, programmes of 50 computers had not been included and the virus guard software provided therefor had remained idle as well. No</p>	<p>Even though the Deputy Principal had been appointed for this purpose, she has not formally informed the school of her taking study leave. As such, another responsible officer could not be appointed for relevant matters. Three teachers have been currently appointed for coordination and supervision of relevant matters.</p>	<p>The school together with the Provincial Department of Education should formulate and implement a procedure necessary for utilizing resources provided to the school efficiently so that maximum benefits are reaped by students.</p>

training programme whatsoever had been carried out with regard to using these Tablet computers as an aid in the Learning Teaching Process. Furthermore, as the teachers are not equipped with knowledge in teaching subjects such as Science, Mathematics and English using digital learning aid, it was observed in Audit that the objectives expected by providing these equipment, have not been achieved so far.

1.5.12 Head 851 - Department of Land Commissioner

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
(a) The Land Commissioner General and the Minister had granted approval in the years 2018, 2019 and 2021 for providing 05 blocks of state land in the Godakawela Divisional Secretariat Division on long term lease basis to 05 persons who have been encroaching the said land since the year 2010. The Department of Provincial Land Commissioner – Sabaragamuwa had failed up to the end of the year under review to provide long term leases after recovering arrears of lease totalling Rs.517,706 from the 05 persons who have been encroaching the said lands.	Lessees have been notified by letters to pay lease rentals and 04 persons have paid a sum of Rs.37,000.	Necessary action should be taken to recover arrears of lease and provide long term leases.

1.5.13 Head 853- Department of Animal Production and Health

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Twenty two projects totalling Rs.1,323,500 approved by the State Ministry of Livestock, Farm Promotion and Dairy and Egg related Industries to be implemented in the Rambukkana, Deraniyagala and Balangoda Veterinarian Divisions under the programmes of production of hygienic cows' milk and establishment and modernization of milk processing centres, had been rejected by selected beneficiaries. As such, they had been cancelled without implementing.	The expected target of the relevant project could not be achieved due to inadequacy of financial provision indicated in the estimate as a result of the sudden price increase in relevant goods owing to the pandemic situation which prevailed and by providing a less number of carpets to farmers from the provision indicated in the estimate. As such, purchases have not been made.	Relevant authorities should take action to implement project without cancelling them.