

Eastern Provincial Council – Year 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Eastern Provincial Council for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended including a summary of significant accounting policies, 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. 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 summary report was issued on 15 September 2023 and the Detailed Management Audit Report will be issues in future in terms of Sub-section 11 (2) of the National Audit Act. This report is submitted to Parliament in terms of 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 under 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 Paragraph of Basis for Qualified Opinion of this report, the financial statements of the Eastern Provincial Council give a true and fair view of the financial position of the Eastern Provincial Council as at 31 December 2022, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for qualified opinion

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
(a) Although the financial statements related to the fund had been stated an annual income of Rs.578,303,671 for the Motor Traffic Department, the income recorded in the department's books as at 31 December 2022 was Rs. 576,933,764 and as a result a sum of Rs. 1,369,907 was overstated in the income shown in the financial statements of the fund.	The reason for the difference is that in some sectors, the daily totals from 31 December 2021 are accounted for as income on 01 January 2022, even though the statistical manual classifies the daily totals on 31 December 2021 as revenue for 2021	According to the income records of the relevant institutions, the recognition of income for the year should be confirmed.

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| <p>(b) The Chief Ministry had allocated a sum of Rs.20,613,654 as Provincial Special Development Grants to the Provincial Tourism Bureau and the Road Passenger Transport Authority. However, a sum of Rs. 915,654 had been spent as recurrent expenditures from those institutes, these expenses were shown as capital expenditure in the fund account for the year under review.</p> | <p>Agree with the observations.</p> | <p>PSDG funds should be used for the intended purpose and cannot be used for recurrent expenditures.</p> |
| <p>(c) The value of five vehicles owned by the Provincial Probation and Child Care Services Department amounted to Rs.20,940,000, was shown as Rs.13,350,000 in the statement of financial position. Therefore, the non-financial assets in the financial statements of the department and fund were understated by Rs. 7,590,000.</p> | <p>There are 8 vehicles in the Department of Probation and Child Care Services. The Government Valuation Department has assessed the value of 5 vehicles, and steps are underway to assess the remaining 3.</p> | <p>The correct value of non-financial assets at the end of the financial year should be reflected in the financial statements.</p> |
| <p>(d) A sum of Rs. 1,035,651,703 had been shown as work-in-progress under non financial assets in the financial statements of the provincial Education Department as at 31 December 2021. However, since the amount was not capitalized or brought under the changes made to non-financial assets during the year under review, the opening balance of work in progress was understated in the Provincial Council's financial statement and in the financial statements of this Department.</p> | <p>No answers provided.</p> | <p>Opening balances should be carried forward to the next year and verified for accuracy.</p> |
| <p>(e) According to the list of vehicles provided for audit by the Administrative Division of the Provincial Education Department, the total value was Rs. 38,792,400. However, in the financial statements of the department and the provincial council, this figure was recorded as Rs.24,415,000, resulting in a difference of Rs. 14,377,400.</p> | <p>No answers provided</p> | <p>The vehicle values must be accurately accounted to ensure the financial statements' accuracy and fairness.</p> |

(f) Differences of Rs.1,781,626 and Rs.92,661,000 respectively had been observed between 03 recurrent expenditure items and total capital expenditure calculated in the audit based on the Financial Performance Statement of the Provincial Council and the financial statements submitted by each of the Ministries and Departments belonging to the Provincial Council

Expenditure on recurrent and capital requirements mentioned in the financial statements is correct as per the monthly summaries of accounts prepared under each head of expenditure of the Provincial Treasury.

The reasons for the variations should be identified and corrected.

(g) Unexplained differences of Rs.34,301.11 million and Rs.31,614.59 million respectively were observed when comparing the recurrent and capital expenditures in the statement of financial performance of the Provincial Council with the expenditure reported under Head 321 of the Central Government. Details are shown below.

No answers provided

The reasons for the variations should be identified and corrected.

Description	The value shown in the statement of financial performance	Value shown under head 321	Differenc
	Rs.Millions	Rs. Millions	Rs. Million
Recurrent expenditure	32,666.38	29,963.79	2,702.59
Capital expenditure	1,634.73	1 650.80	(16.07)
Total expenditure	34,301.11	31,614.59	2,686.52

(h) The value of the Chief Secretary's quarters and land was reported as Rs.20,800,368 in the financial statements without obtaining the ownership of the land.

According to the financial statements of 2022, the expenditure object 6111107 mentions only Rs. 20,800,368 which is the building value of the Chief Secretary's quarters and the land value is not included in our financial statements because the land ownership is in the name of "District Secretary, District Secretariat, Trincomalee." However, I am informed that we have taken steps to transfer the ownership to the name "Chief Secretary, Chief Secretariat, Eastern Province" and have initiated measures to be

Ownership of the land on which the official residence is located should be obtained, and their current values should be included in the financial statements.

included in the 2023 financial statement.

(i) Written evidence, such as detailed schedules, valuation reports, and board of survey reports for four asset items amounting to Rs.1,484,819,222 was not provided to the audit and the tax invoices and receipts related to value-added tax payments made by the Eastern Provincial Director of the Road Development Department, including three district offices had not been submitted to the audit.

(i)-(iv) All assets listed in the financial statements via Form ACA-06 are included in the 2022 board of survey report. There was no provision in the survey report to include asset values. Currently, DCS (Finance) is in the process of valuing and recording all assets in our books using the Asset Management System (AMS) software. Therefore, we will take the necessary steps to include the values of all assets in future financial statements.

When entering asset values in the financial statements, It is need to verify the source document.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility with regard to financial statements is further described under the Section “Auditor’s Responsibility. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 Eastern Provincial Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to prepare annual and periodic financial statements.

1.4 Auditor’s Responsibilities for the Audit of the 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 material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the 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 misstatement 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.
- Obtain an understanding of internal control 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 of the 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 the Management regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Comments on Financial Statements

1.5.1 Head No - 910 Chief Minister's Secretariat

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
An IT Assistant and a Translator were recruited beyond the approved carder and a sum of Rs. 10,771,404 had been paid as allowances during the year under review. Additionally, 5 Development Officers were employed beyond the approved carder, and a sum of Rs. 1,121,470 had been paid as wages.	When considering the approved cadre for the Eastern Province, particularly regarding the assigning of an ICT Assistant and Interpreter cadre, they are attached to the Office of the Deputy Chief Secretary Personnel and Training and the Office of the Chief Secretary. Subsequently, the Deputy Chief Secretary's Office of Personnel and Training has responsibly assigned these staff members to appropriate locations where their services are required. As a result of this secondment, an ICT Assistant and a translator have been seconded to our Ministry and their salaries will be paid by this Ministry as per their assigned duties.	The necessary information for approving the number of employees should be given to the Management Services Department and the employees should be recruited after obtaining approval for the same.

1.5.2 Head No - 912 Department of Rural Industries Development

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>While the Department had the capacity to train 995 unemployed youths in weaving, coir, carpentry, pottery, leather goods, electrical engineering, batik, and tailoring, only 358 trainees were selected for the training program during the year under review. Out of these, 201 trainees successfully completed the course, while 43 Percent, equivalent to 157 trainees, dropped out of the program.</p>	<p>Trainees come from diverse communities in rural areas. Despite our continuous efforts to provide training, today's youth often discontinue their training due to personal preferences and a lack of interest in learning about local products. Despite our best efforts, we have been unable to effectively address this issue. Trainees are eligible for an allowance only if their attendance is at least 80%. Further, their allowances are given every two months and the last monthly allowance is given only if they appear in the exam, so the gap is minimizing to some extent. However, it's important to note that our trainees are primarily women heading households and school dropouts in rural areas who are seeking a basic livelihood. Also, the daily allowance given to them is an allowance for their transportation and other expenses. So allowances are given only for the time they arrive. Also, I am informed that taking legal action regarding their non-arrival in rural areas will cause many problems among the communities.</p>	<p>The trainings should be conducted effectively to enhance the performance.</p>

1.5.3 Head No - 920 Chief Secretariat

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>(a) Holiday pay and overtime payments should be paid after verifying working hours using attendance records from the fingerprint machine. Nonetheless, during the year under review, various Ministries and Departments had been paid a total of Rs. 2,459 million as holiday pay and overtime without confirming arrivals and departures as recorded by the fingerprint machine.</p>	<p>Measures have already been implemented to mitigate such deficiencies in the future.</p>	<p>Action should be taken as per circular instructions.</p>

- (b) If a planned expenditure within a project's scope does not correspond to any existing expenditure object code, and there are available savings under one or more such expenditure object codes, the Chief Secretary may authorize the creation of a new expenditure object code for both recurrent and capital expenditures, in accordance with the standardized list of expenditure object codes. However, contrary to that, the Ministry of Education, Ministry of Health, Provincial Sports Department, and Provincial Education Department made supplementary allocations by creating new expenditure object codes, and a sum of Rs.354,912 (US\$ 960) had been spent on foreign travel under that specific expenditure object code during the year under review.
- New Expenditure object Code Numbers for Recurrent and Capital Expenditure have been created in the Standardized Expenditure object Code List for all Expenditure object Code Numbers and provision transferred from existing Expenditure object Code Details except Foreign Travel. Foreign Travel Expenditure object code was created and supplementary allocations were made to ensure proper authority of the payment and maintain centralized information for foreign travel expenses.
- Provincial financial regulations are need to be followed
- (c) A total of 81 plots of land, 98 vehicles, 71 motorcycles, 97 government quarters, 28 office buildings, 2 rest houses, and 51 irrigation tanks, which were belonging to various Departments, Secretariats, and Ministries in the Eastern Province, were not assessed and included into the financial statements and the title deeds, survey plan of the land where the above quarters and rest houses are located were not submitted for audit.
- Efforts are underway to assess the value of agricultural vehicles and motorcycles and it will be included in the financial statements in the future. A formal request has been set to the Valuation Department. As per our information 34 similar premises under the category of quarters including 10 listed quarters, 20 family quarters, 1 senior staff quarters and 03 quarters for both male and female. Among the above mentioned premises list, 10 listed quarters have been evaluated by the department and their valuation reports has not been received yet. In addition we have sent letters to the concerned Divisional Secretary to have a measurement plan included in the valuation process.
- All non-financial assets should be promptly assessed for valuation

(d) Although, an amount of Rs.57,786,846 was paid to the respective service providers as contributions to the Employees' Provident Fund and Employees' Trust Fund for the employees engaged in sanitary and security services during the year under review no supporting documents were submitted to verify whether these contributions were actually remitted to the respective organizations. Additionally, a value-added tax of Rs. 6,304,937 calculated on the above mentioned contributions, was informally paid to the institution, these informal payments have not been recovered upto now.

(e) In late 2021, the provincial council had paid a compensation of Rs.150 million to a contractor to settle the dispute that arose regarding the construction of 02 bridges on Malwatu Suripodei Road (0+360 and 2+920) built with World Bank grant. The audit observed that the compensation paid to the contractor was a loss to the Government for the following reasons:

(i) Although in the Tribunal had agreed to settle the dispute by way of compensation of Rs.40 million and refund of late charges of Rs.37.8 million already recovered from the contractor by the Provincial Council, The chief secretary had organized an arbitration proceeding saying that he was not satisfied with the verdict given by the tribunal. After that, according to the decision given by the Arbitration Board, the provincial council had ordered to pay an amount of Rs. 150 million as compensation to settle this dispute. As a result, the Provincial Council had incurred a loss of Rs. 72.2 million.

The value-added tax has been remitted on the entire sum of wages as agreed upon. The contractor has made this payment to the Inland Revenue Department.

A cabinet paper has been drafted and submitted to the Director General of the National Budget Department for approval of Rs.150 million of settlement compensation. However, the Director General of National Budget had received instructions to pay it from the provincial council fund, if there is sufficient compensation for the settlement.

The Provincial council is required to furnish details to the audit regarding the payment of Employees' Provident Fund and Employees' Trust Fund contributions and the value-added tax paid on these Employees' Provident Fund and Employees' Trust Fund contributions need to be reclaimed from the contractor.

The approval of the cabinet should be obtained for this payment, but it was not done, and the provincial council should also be recovered the loss.

(ii) It was informed that the approval of the Council of Ministers should be obtained before paying the compensation amount of Rs.150,000,000 as per the Letter No. BD/GPS/321/02/02 dated 09 April 2019 and No. PL/05/04/PRP(WB)/ Eastern/2015-V011 dated 22 January 2021, issued by the Director General of the Department of National Budget and the Assistant Secretary of the Ministry of Local Government, respectively, were sent to the Provincial Council. However, the approvals obtained for this purpose had not been provided audit.

(f) Although internal auditors were appointed for the Ministries and various departments of the Provincial Council, the internal audit reports of those officers and the recommendations made to the heads of departments of the Provincial Council were not submitted for audit.

The internal audit report, inclusive of recommendations that have not yet received responses from institutional heads, is currently being prepared for submission to the National Audit Office in the near future. Starting from the 2nd quarter of 2023, we will also provide a copy of the report to the Government Audit for their review.

However, I kindly inform that internal audits were carried out in the Pothuvil Irrigation Engineering Office, Chenkaladi Irrigation Engineering Office, Kuchchaveli Irrigation Engineering Office, and Trincomalee Irrigation Engineering Office in the year 2022, and the corresponding reports have already been sent.

The internal audit reports along with their findings and observations should be submitted for audit.

1.5.4 Head No - 921 Deputy Chief Secretariat - Finance

Audit Observations

Comments of the Chief

Recommendations

Accounting Officer

(a) An Asset Management System (AMS) had been established at a cost of Rs.1.2 million by the Provincial Council, this system had not updated in the past two years. Therefore, the provincial council had not been able to manage its assets efficiently.

The AMS system was suspended because the annual fee for system upgrades had not been paid for the past two years. As a result the database system was not updated. However, we have recently reinstated the system this year and

Appropriate measures should be taken to update the data and integrate it with the latest version of CIGAS, as is the practice in other provinces.

conducted training sessions on 26 July 2023. Therefore, that the data will be regularly updated in the upcoming years.

(b) All Departments and Ministries within the Eastern Province failed to prepare and submit the Trial Balance generated by using the CIGAS software system for the year under reviewed.

All Ministries and Departments in the Eastern Province are being using the new CIGAS 2.3.0 software for the preparation of monthly account summaries, and it also being implementing in the Provincial Treasury starting from January 2022.

New version of the CIGAS software need to be established to prepare the Trial Balance for the up coming year.

Further instructions have been given to all the institutions to prepare the Trial Balance and submit it along with the financial statements by circular No.PT/07/2022 dated 02.05.2022. However, a consolidated Trial Balance could not be obtained from version 2.3.0 for the year 2022. Nevertheless, we have now successfully updated the new CIGAS to the latest version and will be able to retrieve it from the CIGAS system in the future.

(c) Under Section 89(1) of the Eastern Province's Finance Statute No. 01 of 2008, the Provincial Revenue Commissioner is mandated to initiate legal proceedings against individuals who fail to remit the stamp duty. However, no legal action has been pursued against such individuals since 01 February 2014.

Since the appointment of Mr.V.Mahendranathan as the Commissioner of the Eastern Province Provincial Revenue Department on 05.11.2020, the following essential steps have been taken to reissue the Extraordinary Gazette Notice for initiating legal proceedings.

Re-issuance of Extraordinary Gazette Notification should be done without further delay.

a) Initially, we drafted the gazette notice in three languages and forwarded it to the Honorable Governor of the Eastern Province for approval/consent on 01.09.2022 through the Chief Secretary of the Eastern Province.

b) We received the letter of approval from the Eastern Province Governor's Secretariat, and as per the legal observations made by the Eastern Province Provincial Legal Unit on 2023.06.12, corrections are indicated to be made.

c) Subsequently, the letter was dispatched after implementing the necessary amendments based on the legal observations from the Provincial Legal Unit on 06.07.2023.

(d) Though the process of collecting stamp duty from defaulters from 2018 to 2022 was not conducted efficiently, an amount of Rs.11,188,360 was paid as incentives to the relevant officials of the Provincial Revenue Department.

While there are certain staff shortages/vacancies within the revenue service office, there has been some improvement in their duties and the office has successfully met the following tax collection targets in terms of stamp duty collection and refunds to local authorities.

Year	Target (Mn)	Achievement
2019	360	469,216,920.35
2020	337.5	449,580,571.00
2021	500	714,810,468.50
2022	550	828,752,253.58

As a result, the staff is entitled to receive their incentives, which will enhance the overall capacity of the entire workforce to achieve the department's objectives in the future.

(e) The Commissioner of the Provincial Revenue Department has not done any of the responsibilities assigned by Sections 88.2 and 89.1 of the Eastern Province Finance Statute No. 01 of 2008.

Following the retirement of the former Commissioner, Mr.Sriselvanayagam, in the year 2012, Mr. MIM Mahir served as Acting Deputy Commissioner from 01.02.2014 to 31.07.2021 and as per Sections 88.1 and 89.1 of Finance Statute No. 01 of 2008, the Commissioner is empowered to perform the above duties. Consequently, the duties assigned to the Commissioner from 01.01.2013 to 04.11.2020 remained incomplete. A new

The objective can be attained since the stamp duty is paid by the asset transferor. Nevertheless, any remaining amounts owed, including penalties and outstanding stamp duty, should be collected by the Revenue Officer. Therefore, it is recommended to increase the collection of revenue.

The reissuance of the Extraordinary Gazette Notification should be carried out promptly.

extraordinary gazette notification has now been reissued to initiate legal action against individuals/taxpayers who refuse to pay stamp duty.

- (f) The advance account balance of Rs. 16.86 million to be recovered from the government officials related to the departments and other 8 institutions of the Eastern Provincial Council has not been recovered since more than 05 years.

Kindly inform that the outstanding distress loan balance of Rs.143,926 remains unpaid by Mrs.I.Nalaini, who left her position on 29.09.2008. Her mother, I. Valliamma, settled an amount of Rs. 15,000.00 in 2019 after repeated written reminders. However, the remaining balance of Rs. 129,757.51 remains unrecoverable. We have communicated with I. Valliamma, and she has agreed to settle the arrears in the upcoming August/September. In the event that Mrs. I. Nalaini fails to make the payment, we will consult with the Chief Legal Officer of the Eastern Provincial Council and take further action to recover the outstanding debt.

The outstanding balance should be promptly recovered from the respective officer.

Furthermore, we have two outstanding loans amounting to Rs. 165,848.75, and letters have been dispatched to the Election Commission for identification purposes. We continue to receive distress loan installements from the transferred officer. Additionally, Kantale Pradeshiya Sabha has reduced the loan balance from Rs. 1,102,903.93 to Rs. 951,513.40. Three members have fully settled their loans.

- (g) An idle balance of approximately Rs. 414 million remained unused in three current accounts of the Provincial Council from January 2018, and by the end of December 2022 this balance had grown to Rs. 639.59 million. Consequently, during the period between January 2018 and

These two bank accounts, established for the collection of stamp duty revenue, are actually savings accounts and not current accounts. These savings accounts generated over Rs. 100 million as interest between 2018 and 2022. Additionally, a new fixed deposit

Efficient and effective arrangements should be established to invest the funds owned by the Provincial Council.

December 2022, the government incurred a financial loss of approximately Rs. 281.16 million by allowing funds to remain dormant in current accounts.

account was opened for this purpose on 11.04.2023, from which we have received an interest of Rs. 21 million thus far.

1.5.5 Head No - 923 – Deputy Chief Secretariat - Administrations

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>The valuation report from the Chief valuating Officer should be obtained prior to determining the rent for Government Quarters. However, economic rent has continued to be applied to 66 Government Quaters based on a valuation obtained 10 years ago.</p>	<p>The assessment of economic rent for staff quarters starting from 2018-2020 to 2021-2023 was acquired from the assessment department, and the rent report holds validity for three years. As per the assessed monthly fees, they shall be charged in accordance with the provisions of clause 5.8, except for Secretaries. We currently apply the proposed rent for the year 2021-2023. Additionally, we take into consideration the letter No. G/EPC/C/19/Qu dated 17 July 2019 of the Eastern Province Governor's Secretariat. The rent charge of all Secretaries and Deputy Chief Secretaries will be revised to Rs.1000/- and bear 50% of the utility bills of the resident. However, we are considering charging the new monthly rent for the above mentioned officers and have sent the letter to the Chief Secretary for further action..</p>	<p>Appropriate measures should be taken to recover rents from each officer in the future.</p>

1.5.6 Head No - 924 – Deputy Chief Secretariat – Engineering

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>(a) An expenditure of Rs. 15,000,000 was incurred by the Deputy Chief Secretariat - Engineering Division for the Ampara Cultural Theater and the Ampara District Secretariat Hostel, both of which are not under the purview of the Eastern Provincial Council and these expenses were also recorded as capital</p>	<p>The renovation of the Ampara Cultural Theater and Ampara District Secretariat hostel will be conducted within the framework of the Public Infrastructure Development project of the Eastern Provincial Council, subject to approval by the Chief Secretary.</p>	<p>Expenditure classification should align with the relevant generally accepted accounting policies.</p>

expenditures of the fund account. According to this, it is observed that the expenses were incurred for tasks that do not belong to the scope of the Provincial Council.

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| <p>(b) An expenditure of Rs. 17,175,995 was incurred through the Engineering Department of the Deputy Chief Secretariat Office for various activities, including aluminum partition, water connection, electricity supply, and the work completion and installation of the switch room for a 4-storied building. However, the building had not been utilized for the Department's office purposes even at the audit date of 10 May 2023,.</p> | <p>The ground floor and first floor of the four-storied office building are scheduled to be occupied on or before 15 August 2023, and completion is in progress.</p> | <p>Assets should not remain idle and they should be utilized effectively.</p> |
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1.5.7 Head No - 927 – Department of Motor Traffic

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>Although 12 cars worth Rs.2,359,800 had been recommended to be removed by a special assessment board appointed by the Provincial Motor Traffic Department, they had continued to be used without taking action even by 2023.</p>	<p>Regarding the 12 vehicles, action has been initiated to either change the ownership or dispose of them as per letter No. EP/12/13/004/Veh.Auction/2023 dated 07/06/2023. Additionally, the Commissioner of the Motor Traffic Department of the Eastern Province has blacklisted 10 vehicles, and the ownership of 2 vehicles has been transferred, as indicated in his letter No. EP/DMT/CMSO/General (Vehicle) 2023 dated 24.07.2023.</p>	<p>Action should be promptly taken based on the recommendations made by the Special Assessment Board appointed by the Provincial Motor Traffic Department.</p>

1.5.8 Head No - 930 – Ministry of Agriculture

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>(a) An amount of Rs.200 million had been given to the Provincial Ministry of Agriculture for the construction of an ISO standard laboratory and the provision of necessary equipment and machinery under the “Sustainable Agriculture Culture” organic agriculture program in the year 2022. Out of which only Rs. 4.5 million had been utilized for the</p>	<p>A sum of Rs.200 million was allocated for the establishment of a modern laboratory for analyzing compost manure, soil, and organic products. In this regard, contracts were awarded to the Institute of Industrial Technology, a statutory body under the Ministry of Industry, to oversee the laboratory's setup. An agreement was also made with the Paddy Marketing Board to</p>	<p>Efforts should be made to utilize the allocated funds effectively and efficiently.</p>

above purpose till April 30, 2023, but the Ministry had not received any benefit from it.

secure a building for this purpose. It was expected that the demand for organic agriculture would decrease due to the change in the government's policy on organic agriculture. Under such circumstances; it was decided to stop the project. However, we plan to go ahead with setting up seed testing facilities and are in the process of renovating the building of the Department of Agriculture and acquiring the necessary laboratory equipment.

(b) The Ministry of Agriculture procured 60 leaf cutting machines valued at Rs.35,348,600 in the year 2021, for the production of organic compost and these machines were subsequently distributed to 60 institutions in the Eastern Province. However, 50 percent of these machines remained unused for their intended purpose as at the audit date on 30 April 2023, due to the absence of four-wheel tractors required to operate them.

As stated before the government's organic agriculture policy was abandoned, the demand for these machines from the farming community decreased. Therefore, 50 percent of this machinery was utilized. Under such circumstances, unused machinery is being taken back to the Provincial Council and 50 percent of the value of the machinery is being paid to the Eastern Provincial Department of Agriculture and the remaining 50 percent is being given to the farmers on the basis of monthly installments.

Efforts should be made to procure and provide the needy equipment necessary to maximize the utilization of the acquired assets.

(c) The Provincial Ministry of Agriculture procured 32 two wheel tractors with rotavators at a cost of Rs. 14,816,000 for the purpose of rewarding successful farming communities in the province.

Initial plans were to support farmers' organizations with these tractors, but by the time the two-wheel tractors became available, the farming season was coming to an end. Therefore, it was not possible to carry out these works as planned.

Efforts should be made to maximize utilization of the allocated funds.

However, the Ministry had not operated the process of selecting the successful farming communities even at the audit date of 30 April 2023, and the tractors had remained unused for over a year.

1.5.9	Head No - 931 – Department of Agriculture	Comments of the Chief Accounting Officer	Recommendations
(a)	Although, an allocation of Rs.30 million was provided to the Department of Agriculture during the year 2022, for the purpose of ensuring food security under the Agriculture Development Program, a sum of Rs. 21,934,350 of this allocation remained unutilized for the intended purpose as at 17 April 2023.	Quotations were called for this purchase and a purchase order was also issued. However, due to the covid epidemic and the lack of dollars in the country and the huge increase in the price of the goods, the relevant suppliers were unable to import and supply the goods.	These funds should be utilized for specific purposes in a timely manner.
(b)	An amount of Rs.30 million was allocated during the year under review for development of seed stores for other field crops (OFC) under the organic agriculture program “Sustainable Agri Culture”. However, the Provincial Agriculture Department had not started the work by the audit date of 31 March 2023.	This fund was allocated to our department for the acquisition of pesticides intended for red onion cultivation and maize seeds. We issued a call for bids for these procurements, made a procurement decision, and issued a purchase order. However, the supplier faced challenges importing and delivering the goods due to factors such as the shortage of foreign currency resulting from the COVID-19 pandemic, a significant increase in commodity prices due to the economic crisis, and import restrictions imposed within the country.	Efforts should be made to utilize the allocated funds effectively and efficiently.
(c)	In purchasing 156,035 kg of paddy seed worth Rs.33,748,615 under the quality traditional seed paddy production project, the provincial agriculture department had not followed the national competitive bidding or the national limited competitive bidding procedure in terms of procurement guidelines 3.2 and 3.3. Due to this, the department had lost the opportunity to get the most financially beneficial and best quality supplies. Further, as per the bills attached to the vouchers while making	Before purchasing the seeds, the paddy seeds of those who agreed to supply the traditional paddy seeds was tested by the local agricultural consultants and this procurement was done only according to the report submitted by them and the report submitted by the Technical Evaluation Committee.	Efforts should be made to ensure the country can attain the maximum economic benefit and procure high-quality products.

payments to the supplier, for the supply of 14,124 kg of seeds valued at 2.6 million rupees, the name of a car equipment and building equipment dealer was mentioned as the name of the supplier and it was confirmed during the physical inspection that such an organization did not exist at that address. .

1.5.10 Head No - 941 – Department of Education
Audit Observations

**Comments of the Chief
Accounting Officer**

Recommendations

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| <p>(a) It was observed that the footage recorded by the security camera installed in the premises of a national school in Trincomalee district was destroyed by the Director of Zonal Education with the help of IT officers responsible for the zone for personal reasons. In this regard, no formal action was taken by the Eastern Provincial Education Secretary and the Provincial Education Director.</p> | <p>The officials of the Ministry of Education have inquired in this regard, and according to the opinion of the Director of the Department of Education, 03 officials have been transferred to other institutions.</p> | <p>The officer must be accountable to obey the provisions of the Act. Arrangements should be made to appoint a committee to conduct an independent investigation.</p> |
| <p>(b) The reasons, objectives for traveling of 39,083 km and the names and positions of the officials who traveled were not included in the running charts prepared by the Provincial Education Ministry and the Deputy Chief Secretay's Secretariat - Engineering service. Also, the daily running charts were not regularly checked by the supervisor. Therefore, it was not possible to verify whether the vehicles were used for official purposes during the audit.</p> | <p>Pool vehicles are used by staff for official activities. When the vehicle is used for official purposes within the district, it is usually entered in the running chart and the reason for the use of the vehicle and the staff who used the vehicle are also signed in the running chart. At the same time, due approval of the application for travel outside the district has been obtained by the staff through proper procedure stating the nature of duty, purpose of travel etc.. However, if the driver does not include this information in the running chart because he does not have knowledge in this regard. Such mistakes will not be repeated in future. The running charts are properly maintained and regularly checked by the supervising officer.</p> | <p>The concerned ministries and departments should check and monitor the vehicles used.</p> |

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| (c) | A contract was signed for the construction works of national schools at a cost of Rs.12,941,083 and this work was scheduled to be completed between 05 August 2021 and 04 December 2021. | No answers provided | The allocated fund should be utilized efficiently and effectively. |
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However, even though Rs.5,918,864 had been paid till the end of the year under review, only 50 percent of the work had been completed.

1.5.11 Head No - 951 – Department of Health Services

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
(a) According to the information provided by the Provincial Health Services Director, there are 507 private medical institutions operating in the Eastern Province. However, only 38 private medical institutions were registered with the Private Healthcare Regulatory Council (website). Accordingly, an income of Rs. 5,295,000 had been lost as at 31 December 2022 due to non-registration of private medical institutions.	So far, we have successfully registered 68 private healthcare institutions. The registration process is now conducted online, and all institutions have been informed through the online system. Registration is processed based on the applications received.	Medical institutions must be registered with the Private Healthcare Regulatory Council without any further delay.
(b) The Mobile M-Track solution GPS system was connected to 102 vehicles under the GPS tracking system of vehicles attached to the Batticaloa Regional Health Services Directorate in the year 2018. However, an amount of Rs. 2,157,040 was paid to the system operators during the period 2018-2022 without any evidence that the relevant monitoring activities were carried out.	The Batticaloa Regional Director of Health Services has informed in writing that they will be responsible for monitoring and controlling the use of vehicles and their costs.	Appropriate information should be provided to the audit to demonstrate that these equipment have been utilized for their designated functions.
(c) Only Rs.48,000,000 had been given for medical supplies for the year under review, but an amount of Rs.64,341,596 had been spent on it. Accordingly, an amount of Rs.16,341,596 had been spent in excess of the budget allocation and proper approval had not been obtained according to Provincial Financial Regulation 65.1.	We acknowledge that the budget allocated for purchasing medical supplies for a specific time period was exceeded. This situation arose due to unforeseen factors, including a sudden inflation-driven increase in the price of medical supplies. The excess purchases primarily resulted from the urgent need for essential medical supplies for	Provincial financial regulations are need to be followed.

emergency patient care. Typically, we procure medicines for a quarter of the year. Therefore, in 2022, we increased the procurement of Ayurvedic medicines from the pharmaceutical corporation only twice.

Our foremost concern is always patient care and safety, which led us to the decision to procure additional supplies to meet the heightened demand. Moreover, we are implementing the following measures to prevent a recurrence of this situation”

(d) Although the construction work of Addalachena Regional Hospital's Maternity Ward, Labor Room, Children's ward, ETU, and OPD Building, which was built at a cost of Rs. 81,698,727 from the provincial council fund, was completed on 17 May 2021 and handed over to the Health Department; the building complex has remained unused for 02 years and allowed to be idle for until the date of this report.

I would like to note that the construction of the building was temporarily halted due to insufficient funds, and there were delays due to political changes and the COVID-19 epidemic situation. Therefore, the project could not be implemented as originally planned.

Construction work should be completed, and the building should be made ready for use.

(e) Although, 51 medical devices worth of Rs.25,461,600 received to the Provincial Biomedical Engineering Unit were sent to the service provider for repair work during the period from 2018 to 2022, the repair work of the equipment has not been completed, and they were not return back to the unit as at the date of this report.

This delay is primarily due to a shortage of spare parts and the high cost associated with procuring these spare parts. In some cases, equipment was held until partially damaged equipment arrived so that parts could be exchanged for repairs. However, I would like to clarify that all the repaired equipment has now been returned to the hospital.

Assets should not be kept idle and they should be used effectively.

(f) The Batticaloa Biomedical Engineering Unit purchased 6 types¹¹⁴ medical equipment of worth of Rs. 1,842,000 in the years 2020 and 2021 and stored them on the premises of the unit without allocating them to the respective hospitals.

This meter is kept for use in cases such as cholesterol meter repair and used for emergency purposes.

Efforts should be made to ensure the utilization of these equipments.

The Hematology Analyzer has been installed at Wakarai Regional Hospital. One microscope equipment has been issued to Karadianaru

District Hospital, while the others are kept for emergency needs. A certain level of stock is maintained for sphygmomanometers as per requirements.

- (g) The medical equipment, including Defibrillators, Multipara Monitors, Transport Ventilators, Optiflow Nasal Oxygen Therapy devices, and Fingertip Pulse Oximeters, have been remained idle at Kinniya Base Hospital for 2 to 4 years without being utilized for their intended purposes.

The Kinnia Primary Hospital is equipped with 146-bed wards, HDU, ETU, operating theaters, and maternity wards, and providing healthcare services to a significant population.

Efforts should be made to effectively utilize of these equipments.

As a health planning unit, every health institution should ensure that these equipments are available according to its capacity. Accordingly these equipments were distributed. According to the board of survey report, 17 listed medical devices of 07 categories were not available in the general stores. All these equipments are provided to the service delivery units of the hospitals and are available in specialized units for their use. Utility details submitted by DMO are enclosed herewith.

- (h) Although, a total expenditure of Rs.3,012,505 spent on renovation of the quarters in the previous year and the year under review, the quarters have remained vacant.

No answers provided.

Assets should not be kept idle they should be used effectively.

- (i) According to the information provided to the audit, 11 vehicles, including 6 vehicles amounting to Rs. 40,950,000 and 5 vehicles of unspecified value, were kept in a repairable condition at the Regional Health Services Directorate for more than 5 years. They had not been repaired as at the audit date of 24 April 2023.

These vehicles are being repaired and put into use.

Action should be taken to repair the vehicles and put to use.

1.5.12 Head No - 961 – Department of Road Development

Audit Observations

**Comments of the Chief
Accounting Officer**

Recommendations

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| (a) The contract agreements for the mechanical sections of the Road Development Department had not been included contractual clauses such as time limits, liability provisions in case of illegal machine usage, notice requirements for late payments, and specific hours for daily and service deliveries. | Deficiencies in the contract agreement of the Road Development Department of the Machinery Unit had been rectified by a committee and the new contract agreement is now being used by the Trincomalee, Batticaloa, Ampara and Kalmunai Regional Offices. | Contract administration should be periodically reviewed by an authorized officer, and appropriate actions should be taken to address any deficiencies found in the contract terms and conditions. |
| (b) It was observed during the field inspection that 02 dozer machines worth Rs.33,600,000 belonging to the Trincomalee Machinery Division were in the custody of an outside party and the parts of one dozer worth Rs.16,800,000 had been removed and had been decaying. | According to the agreement dated 29.07.2021, two dozers were issued at the company's request. These dozers have not been serviced or repaired for a long time. Therefore, arrangements have been made to take the dozers back to the office. Therefore, the removed parts has been fixed again and ensured their security. | These machines should be used for productive purposes. |
| (c) There were 19 excess staff exceeding the approved carder as at 31 December 2022 and there were 58 vacancies. | 10 additional Development Officers have been appointed in our department through new appointments and transfers in addition to the approved cadre by the Deputy Chief Secretary Administration. Additionally, an IT Officer also has been appointed based on our department's requirements. According to the government circulars, the secretary of the Ministry of Road Development of the Eastern Province has given permanent appointments to the casual/substitute/temporary employees of our department. For this, the Provincial Public Service Commission of the Eastern Province has given permission to appoint them to the approved number of maintenance workers for the Road | Efforts should be made to fill vacancies and transfer excess officers to other Ministries and Departments where they are needed. |

Development Department of the Eastern Province Irrigation Department. However, we request from the Management Services Department to create the necessary cadre.

1.5.13 Head No - 962 – Department of Land Administration

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>Lease rental totaling to Rs.245,513,346 related to Government lands in 13 Divisional Secretariat Divisions remained in arrears for periods ranging from 01 to 16 years. However, the Department of Land Administration had not taken appropriate measures to recover these arrears as at 31 December 2022.</p>	<p>Out of the total amount of Rs. 245.51 million in arrears, the arrears of Rs.19.5 million relating to the period of 1 to 3 years are expected to be recovered in the current year, and instructions have been issued to the Divisional Secretariats to initiate the recovery process for these arrears. Additionally, based on a decision made during the District Coordination Committee meeting, the remaining arrears of Rs. 225.9 million for the period of 3 to 16 years have been submitted to the Land Commissioner General (LCG) for cancellation the lease. As per paragraph 86(1) of the Land Ordinance, it is the responsibility of the Divisional Secretary to take legal action against unpaid lease arrears. Letters have been sent to lease defaulters to remind them to settle their outstanding amounts. Accordingly, a sum of Rs. 7,304,439.60 has been recovered up to 18 July 2023.</p>	<p>The outstanding balance should be promptly recovered from the respective Divisional Secretariats.</p>

1.5.14 Statutory Accounts

(a) Road Passenger Transport Authority

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>The Eastern Provincial Road Passenger Transport Authority had purchased 13 point of sales machines connected to the GPRS system and 2,000 ticket rolls at a cost of Rs.1.14 million on June 8, 2015, to monitor the arrivals and departures of private</p>	<p>They agreed to develop the software for the POS machine as per the requirements of the authority. After providing the machines with the software, the authority conducted a pilot run in June 2016 on Trincomalee - Muthur road. After that, they released</p>	<p>The system should be operated without any further delay.</p>

buses. However, due to the lack of a proper software system to operate them, these assets remained idle for more than 05 years.

a new version to the authority in June 2017. Then we implemented it again in October 2017 on Trincomalee - Kantale Road. However, we found issues with the essential reporting interface were not working. They agreed to send the final version of the software to be installed on our server before 30 May 2023, but due to some Tomcat and Java software issues, we are waiting for confirmation from the telecom server we purchased.

(b) Eastern Province Tourism Bureau

Audit Observations	Comments of the Chief Accounting Officer	Recommendations
<p>(i) In accordance with the amended Employees' Provident Fund Act No. 15 of 1985, the approved provident fund or approved contributory pension for any given month must be deposited into the respective fund or scheme on or before the last day of the following month. In case of failure to pay the contributions on time, a surcharge is liable to be paid for the same. Accordingly, an amount of Rs.1,174,556 was paid in the year 2022 as surcharge and arrears due to the failure to pay the contribution to the above funds for the staff hired by the Bureau on contract basis between December 2018 and 30 June 2021.</p>	<p>Contributions to these funds were not remitted on behalf of the temporary employees hired in the early period by the Eastern Province Tourism Bureau. The staff was also not approved by the Department of Management Services as the employees were recruited on temporary basis. The arrears and surcharges were paid after discussing this with the Labor Department. At present EPF and ETF payments are being paid as usual.</p>	<p>Action should be taken to recover the surcharges paid due to negligence from the responsible officers.</p>

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| <p>(ii) A sum of Rs.22.2 million rupees had been spent under provincial task-specific development grants for improving and promoting the tourism industry in the Eastern Province. Although the work had started in 2021, it had not been completed by 31 March 2023, so it was not possible to implement the expected tourism services to promote tourism in the Eastern Province.</p> | <p>Since this project is ongoing, it continued during the year under review.</p> | <p>A program should be prepared to complete these activities within a stipulated time frame.</p> |
| <p>(iii) An amount of Rs. 4 million had been allocated for the jetty project, and although the work was planned to start in January 2021, it had not commenced upto 28 February 2023.</p> | <p>An amount of Rs. 4.0 million was allocated for beautifying the jetty and promoting it as a tourist attraction. The approval was obtained to start the civil construction work immediately. However, due to non-availability of capital funds caused by the financial crisis, the Chief Secretary directed to prioritize bills in hand and not to start any new works through his letter No. EP/PL/08/AIP/2022 dated 05.07.2022 (Annex 1). Under these circumstances, it was decided to continue this project as an ongoing activity.</p> | <p>Project planning should be based on a feasibility study.</p> |

**(c) Pre-school Education Bureau
Audit Observations**

**Comments of the Chief
Accounting Officer**

Recommendations

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| <p>(i) The accounting policies based in preparing the financial statements for the year under review were not disclosed.</p> | <p>The Bureau's financial statement is prepared on an accrual basis.</p> | <p>The Bureau should disclose the accounting policies adopted in preparing the financial statements.</p> |
| <p>(ii) As only assets of Rs.1,776,835 had been depreciated out of the fixed assets worth Rs.4,606,364 shown in the financial statements, the provisions for depreciation and amortization for the year under review was understated by Rs.697,532.</p> | <p>The financial statement of the Bureau has been prepared based on the previous year's financial statements. I would like to inform you that this matter will be corrected in the future.</p> | <p>The financial statement should be prepared with a true and fair view.</p> |

(iii) Five motorcycles (5) allocated to the Trincomalee District Office of the Preschool Bureau have not been returned by the field officers and They have been in used for more than a year. Additionally, during the audit, it was observed that three (03) of these motorcycles were being used without a vehicle registration certificate.

Appropriate actions will be taken to address the raised issues.

Assets should be kept under responsible officer's custody with ownership certification.