

Eastern Provincial Council – Year 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Eastern Provincial Council for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including information of material 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 Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report was issued on 31 May 2024. In terms of Section 11(2) of the National Audit Act, the Detailed Management Audit Report was issued on 30 August 2024. This report is submitted to Parliament in terms of Article 154 (6) of the Constitution and Section 10 (1) of the National Audit Act and a copy of the report is submitted to the Governor for tabling it 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 Eastern Provincial Council give a true and fair view of the financial position of the Eastern Provincial Council as at 31 December 2023, and of 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	Comment of Chief Accounting Officer	Recommendation
(a)	Accumulated Interest on leased vehicles amounting Rs.51.74 million had been included in non-financial assets from the year 2019 contrary to the para No. 1.2.2 of Guideline for Assessing Non-Financial Assets issued by Comptroller General office on 31 December 2018. As a result, value of the non-financial assets had been overstated by that amount in the statement of financial position for the year under review.	Action will be taken to exclude the interest on lease from Non- Financial Assets.	Action should be taken to exclude those interest from Non- Financial Assets.
(b)	The surcharged amount of Rs. 6.54 million over paid for the construction works of buildings and structures of Provincial Department of Education, had been shown as public investment expenditure in the statement of financial	According to the consolidated summary of balances in Trial Balance, the amount had been brought to the financial statements.	Actual cost of acquisition of assets should be shown in the financial statements.

performance for the year under review. Thus indicating the public investment expenditure had been overstated by that amount in the financial statements.

- | | | | |
|-----|---|--|---|
| (c) | Various type of revenues aggregating Rs. 38.87 million generated from 02 Statutory Authorities for the year under review had not been brought to the statement of financial performance. As a result, total revenue had been understated by that amount in the financial statements for the year under review. | Action will be taken. | Revenue should be accounted correctly. |
| (d) | Cash and cash equivalent balances of 02 statutory Authorities totalling Rs. 11.25 million had not been brought to the statement of financial position for the year under review. As a result, such cash and cash equivalent balances had been omitted from the financial statements for the year under review. | Action will be taken in future. | Cash and cash equivalent balance should be shown in the financial statements correctly. |
| (e) | Deposit balances aggregating Rs. 5.85 million of Pre- School Education Bureau had been transferred to Provincial revenue account instead of shown as deposits. Thus indicating, the balances of current liability had been understated in the statement of financial position and revenue had been overstated in the statement of financial performance. | Action will be taken to correct this mistake. | Deposits should be accounted correctly. |
| (f) | Even though the bills in hand had been committed to the amount of Rs.5.75 million for Provincial Specific Development Grant (PSDG) works of 02 institutions, had not been brought to the statement of financial position for the year under review. Thus indicating, the current liability had been understated by that amount in the financial statements for the year under review. | Value of bills in hand and continuation works reported. | Liabilities should be identified and accounted correctly. |
| (g) | Even though the various inventory items of 02 commissions, 05 ministries, 09 secretariats, and 18 departments valued to Rs. 2.48 million had been disposed | Action will be taken to correct this mistake in next year. | Action should be taken to remove the cost value of disposed items. |

during the year under review, such historical cost had been included in the non-financial assets. As a results, value of the non-financial assets had been overstated by that amount in the financial statements for the year under review.

- | | | | |
|-----|--|---|---|
| (h) | A sum of Rs. 75.64 million liabilities committed by 02 commissions, 05 ministries, 09 secretariats and 18 departments of province had not been brought to the statement of financial position. As results the current liabilities had been understated by that amount in the financial statements for the year under review. | Could not be accounted due to non-rendition of information by those institutions. | Action should be taken to account to liabilities correctly in the financial statements. |
|-----|--|---|---|

I conducted my audit in accordance with Sri Lanka Auditing Standards (S.L.Au.Ss). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for audit opinion.

1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation of financial statements that give 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 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 enable to prepare annual and periodical statement.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Head of the management shall ensure that the effective internal control system for the financial control exists in the provincial council and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alternations as requires for such systems to be effectively carried out.

1.4 Auditor’s Responsibility for the Audit of the Financial Statements

My objective is to obtain a 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, 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, exercise professional judgment and professional skepticism throughout the audit. I also:

- Identify and assess the risk of material misstatements of the financial statements, whether due to frauds 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 effect of material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omission, misrepresentation or override of internal control.
- Obtain and 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 applied accounting policies and reasonableness of accounting estimates and the disclosures of related party transactions done by the management.
- Evaluate the overall presentation, structure and contents of the financial statements including the disclosures and whether the financial statements represent the underline transactions and events in a manner that achieves fair presentation.

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

1.5 Comments on Financial Statements

1.5.1 Head – 900 Governor’s Secretariat

Audit Observation	Comment of Chief Accounting Officer	Recommendation
(a) Even though the Governor had been allowed to utilize 03 official vehicles, Governor of the Eastern Province had been utilized 04 official vehicles contrary to the Paragraph 3.1 of the Presidential Secretariat Circular No. PS/CSA/11-18 of 12 October 2018 without being obtained an approval from Secretary to the President.	These vehicles had been utilized for the purpose of attending special meetings.	Vehicles should be allocated based on the said circular issued by the Secretary to the President.

- (b) Fuel expenses totaling Rs. 2.09 million had been reimbursed for 06 official vehicles utilized by the Governor's various staff during the period from 01 January 2022 to 21 May 2023 exceeding the limits prescribed in Paragraph 4.3 of Presidential Secretariat Circular No. PS/CSA/11-18 of 12 October 2018.
- These vehicles had been utilized for the purposes such as security, pool purposes etc.
- Vehicles should be allocated based on the said circular issued by the Secretary to the President.

1.5.2 Head- 901 Provincial Public Service Commission

Audit Observation	Comment of Chief Accounting Officer	Recommendation
An Engine of an official pool vehicle of Provincial Public Service Commission had been replaced contrary to Chapter 203 of Motor Traffic (Amendment) Act, No. 8 of 2009 soon after the accident occurred at Mutur in 2022. However, the action on the above attempts had not been taken.	Engine had been replaced by the owner of the Garage.	Action should be taken in terms of said Motor Traffic Act.

1.5.3 Head – 921 Deputy Chief Secretary's Secretariat – Finance

Audit Observation	Comment of Chief Accounting Officer	Recommendation
(a) Various type of revenues aggregating Rs. 1581.45 million which was 47 per cent on total collected revenue had been recorded manually instead of accounted by using CIGAS software, As a result total collection of real revenue could not be satisfactorily ascertained in audit.	Action will be taken from the year 2024.	Action should be taken taken to record all revenue by using CIGAS software system.
(b) Outstanding debt balances of commercial advance account activities aggregating Rs. 36.90 million had not been settled by 04 departments and allowed to be unsettled for the year under review.	Action will be taken from the year 2024.	Commercial Advances should be settled without delay.

- | | | |
|--|---|---|
| (c) 81 lands, 98 vehicles, 71 motor cycle, 66 staff quarters, 28 office buildings and 51 water tanks belonging to 08 institutions had not been valued and brought to the financial statements during the period ranging from 05 to 10 years. | Action will be taken to value these assets. | Action should be taken to value those assets. |
|--|---|---|

1.5.4 Head- 926 Department of Provincial Internal Audit

Audit Observation	Comment of Chief Accounting Officer	Recommendation
Even though the Internal Auditors had been appointed to the ministries and various departments of the provincial council, internal audit reports and recommendations made to the heads of the departments of the provincial council and detail of actions concluded based on the internal audit observations had not made available for audit.	Action will be taken in future.	Action should be taken to submit the internal audit reports and action on them.

1.5.5 Head-930 Ministry of Agriculture

Audit Observation	Comment of Chief Accounting Officer	Recommendation
30 static shredder machines aggregating to Rs. 17.67 million had been purchased for the purpose of producing the organic compost by the Provincial Ministry of Agriculture in 2021, had not been utilized for the intended purpose due to non-availability of four-wheeler tractor to operate the shredder machine and allowed to be idled over 02 years.	Action will be taken to transfer these assets to other institutions.	Acquisition should be made with a proper plan/ feasibility study for utilization.

1.5.6 Head- 931 Department of Agriculture

Audit Observation	Comment of Chief Accounting Officer	Recommendation
(a) 02 Rotovator valued Rs. 1.05 million had been allowed to be idled at the District Agriculture Training Centre, Trincomalee without being utilized for intended purposes over 07 months.	Idled due to lack of driver.	Action should be taken to utilize for the intended purposes.
(b) Machineries and equipment worth of Rs. 999,649 had been supplied to Mushroom unit of Service Training Institute in Karadiyanaru. However, these machineries had not been utilized for the purpose and has remaining Idle for more than 5 years due to technical errors.	Action is being taken to utilize.	Action should be taken to utilize for the intended purposes.
(c) An Agriculture Instructor had been appointed by the secretary of Ministry of Agriculture to the post of Assistant Agriculture Director on cover-up basis instead of appointed by the Public Service Commission and paid Personnel Emoluments aggregating to Rs. 1.08 million during the period from 05 June 2023 to 24 June 2024. And allowed to utilize official pool vehicle individually to 03 staff grade officers daily instead of utilize together, met an accident on 21 April 2023 but the inquiry had been allowed to be pending over 01 year.	Inquiry will be conducted.	Action should be taken to appoint to the approved cadre post and inquiry should be completed within the timeline.

1.5.7 Head- 934 Department of Irrigation

Audit Observation	Comment of Chief Accounting Officer	Recommendation
Improvement works of Channel system in Naula scheme, Pottuvil awarded to a Farmers Organisation at an agreed contract price of Rs. 2.33 million had been abandoned due to the weaknesses in feasibility study on accessing the site during the year under review.	Due to the monsoon rain and the issue in the access to the site the work had been terminated mutually.	Works should be completed as per the Contract Agreement within the time frame.

1.5.8 Head- 941 Department of Education

Audit Observation	Comment of Chief Accounting Officer	Recommendation
(a) Outstanding staff loan balances of Provincial department of Education aggregating Rs. 15.39 million should be recovered from the officers who were transferred to/from other departments, provincial councils, retired officers, deceased officers, interdicted officers, and the officers who were vacated their posts, had not been settled during the period ranging from 01 to 10 years.	Action had been taken to collect those balances.	Action should be taken to recover the outstanding loan balances.
(b) The surcharges of allowances paid for Graduate Trainees amounting to Rs. 11.49 million had been retained in the General deposit account of Provincial department of Education without being settled to the General Treasury over 04 years.	Action will be taken to settle the balance to General Treasury.	Action should be taken to remit the balance to General Treasury.
(c) Tender Deposits, Retention Money and Miscellanies deposits balances of 17 Zonal Education Offices and Provincial Department of Education aggregating Rs. 13.08 million had been retained in the General deposit accounts without being taken actions over 02 years in terms of Financial Regulation No. 571.	Action will be taken in future.	Action should be taken in terms of Financial Regulation No. 571.
(d) Three development works awarded at an agreed contract price of Rs. 18.25 million implemented in 03 schools of Trincomalee and Kalkuda Zonal Education offices under “Nearest School is the Best School” program had been abandoned with the payment of Rs. 1.98 million for completed works during the year under review. However the reason for the abandoned could not be ascertained in audit.	Not commented.	Works should be completed as per Feasibility study and Contract Agreement.
(e) Imprest aggregating Rs. 96.97 million received by the Provincial Department of Education for the Nutritional programme, Provincial Specific Development Grant	Considered to not to repeat these lapses in future.	Imprest should be utilized for the intended purpose.

works, General Education Moderation Project works and UNICEF's project works had been utilized for payment of advances to Public officer and settlement of General deposit balances without being utilized for the intended project works for the year under review and immediate preceding year.

- | | | |
|--|-----------------------|---|
| (f) Even though 19 staff quarters for the Teachers had been renovated aggregating Rs. 18.67 million during the year under review, had been allowed to idle without being utilized for intended purposes. | It will be rectified. | Quarters should be utilized for the intended purpose. |
|--|-----------------------|---|

1.5.9 Head- 951 Department of Health Services

Audit Observation	Comment of Chief Accounting Officer	Recommendation
(a) Payments for holiday works and over time aggregating Rs. 2,280 million had been paid by the health sector during the year under review without being confirmed the arrival and departure by using the finger print scanners in terms of Public Administration Circular No. 09/2009 of 16 April 2009.	Necessary action is being taken to utilize.	Action should be taken in terms of the circular.
(b) Even though the electricity and water charges for the staff quarters rented for nursing officers of Base Hospital Mahoya and Dehiaththakandiya should be paid by the occupants, A sum of Rs. 4.39 million had been paid by the office of the Regional Director of Health Services Ampara for the period from January 2019 to March 2023 contrary to the agreement entered with the officers concerned.	Quarters rent had been recovered.	Action should be taken to recover the electricity and water charges from those officers.

- | | | |
|--|--|--|
| (c) Even though an intensive care unit had been constructed at total value of Rs.50.55 million in 2019 at the Base Hospital, Valaichenai, action had not been taken to operate this unit due to lack of medical specialists and para medical staff and allowed to be idled without being taken action to achieve the expected outcome over 04 years. | Could not be utilized due to lack of Medical Officers. | Action should be taken to utilize the Care Unit. |
|--|--|--|

1.5.10 Head- 961 Department of Road Development

Audit Observation	Comment of Chief Accounting Officer	Recommendation
04 Lorries and 18 machines valued aggregating to Rs. 88.06 million had been allowed to idle in various offices of Road Development Department without being utilized for the intended purposes of commercial activities during the period ranging from 02 to 05 years.	Those will be rented out to increase the hire charges in future.	Action should be taken to utilize for the intended purposes.

2. Statutory Accounts

(a) Tourism Bureau

Audit Observation	Comment of Chief Accounting Officer	Recommendation
Even though 48 tourist attractive places had been identified in this province, action had not been taken either to perform 10 key functions in terms of Part IV(A) of Extraordinary Gazette No. 1985/73 of 18 March 2016 of the Democratic Socialist Republic of Sri Lanka or to generate its own income during over last 05 years. Thus indicating a sum of Rs. 128.40 million had been paid from provincial fund account for various activities of the bureau from the year 2019 to 2023.	Action will be taken to implement.	Action should be taken to perform those key functions and to generate own income.

(b) Housing Authority

Audit Observation	Comment of Chief Accounting Officer	Recommendation
Even though a sum of Rs. 22.96 million had been allocated for renovation of 129 houses, 72 householders had been paid total of Rs. 18.06 million for renovation of houses. Thus indicating, 57 house holders had been affected due to not facilitated for renovation works for the year under review.	Renovation works had not been completed due to lack of financial allocation.	Action should be taken to submit the budget to obtain the allocation for the works.

(c) Road Passenger Transport Authority

Audit Observation	Comment of Chief Accounting Officer	Recommendation
Personal emoluments amounting to Rs. 13.23 million had been paid to 33 officers appointed on permanent and contract basis during the year under review without being approved those cadre by the Department of Management Services.	24 staff had been recruited on contract basis without being approved cadre.	Action should be taken to obtain the approval for cadre.