

Eastern Provincial Council - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Eastern Provincial Council as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements.

1.2.1 Rendition of Financial Statements

(a) Although the Financial Statements of the Provincial Council for the year 2012 should have been rendered to audit on or before 31 March 2013 in terms of Treasury Circular No.01/2004 dated 24 February 2004, it had been rendered to audit only on 03 June 2013.

(b) Other Financial Statements

The progress of presentation of other financial statements as at 31 March 2012 is given below.

Accounts	Total number of financial statements	Year 2012 Number of financial statements presented as at 31 March 2013	Number of financial statements not presented as at 31 March 2013
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(i) Appropriation Accounts	33	21	12
(ii) Advances to Provincial Public Officers Accounts	33	19	14
(iii) Commercial Advance Accounts Activities	09	-	09
(iv) Fund Accounts	02	02	-
(v) Road Passenger Transport Authority	01	-	01
(vi) Pre School Education Bureau	<u>01</u>	<u>-</u>	<u>01</u>
	<u>79</u>	<u>42</u>	<u>37</u>

(c) **Rendition of Annual Performance Report by the Provincial Council and Local Authorities**

- (i) An annual performance report of the Provincial Council in terms of paragraph 04 of the Treasury Circular No. 01/2004 dated 24 February 2004 had not been rendered to audit.
- (ii) The annual performance reports of the 45 Local Authorities under Eastern Provincial Council had not been prepared and submitted to the Provincial Council in terms of paragraph 4.2 of the Treasury Circular No. 01/2004 dated 24 February 2004.
- (iii) The Performance Reports for the year 2012 had not been presented even up to 16 September 2013 by 28 Departments of the Provincial Council in terms of the Public Finance Circular No.402 of 12 September 2002 and the Treasury Circular No.01/2004 of 24 February 2004.

1.2.2 Comments on Appropriation Accounts

Repeated common lapses such as non-utilization of provisions fully or partly, incurring expenditure without provision in the Annual Estimates, omission of outstanding liabilities in the accounts, recurrent expenditure being charged to capital expenditure and vice-versa, non-rendition of details of capital expenditure, lack of adequate explanations for the savings and non-reconciliation of departmental books with Provincial Treasury books were observed in the Appropriation Accounts rendered in respect of certain Provincial Ministries and Departments for the year under review too.

1.2.3 Deficiencies in the Advances to Public Officers Accounts

The following observations are made.

- (a) Proper action had not been taken to recover the loan balances aggregating Rs.80,587,010 due from the officers who were transferred out of the Provincial Ministries and Departments to other Provincial Ministries and Departments.
- (b) Action had not been taken to recover the loan balances amounting to Rs. 7,129,398 due from the officers who were retired, interdicted and vacated from the posts by three Provincial Ministries and seventeen Departments.
- (c) Two Departments had prepared the reconciliation statements with unidentified balances amounting to Rs. 757,804.
- (d) Action had not been taken to recover outstanding loan balances amounting to Rs. 42,928,316 due from various categories of staff for over four years. Details are given below.

Ministries / Departments	Amount due Rs.
-----	-----
Governor’s Secretariat	6,154
Department of Provincial Internal Audit	30,052
Department of Agriculture	13,693
Department of Road Development	64,448
Department of Irrigation	485,747
Ministry of Health	455,855
Department of Health Services	9,953,945
Department of Indigenous Medicine	357,736
Co-operative Employees Commission	1,300
Ministry of Education	2,369,525
Department of Education	<u>29,189,861</u>
Total	<u>42,928,316</u>

1.2.4 Settlement of Outstanding Imprest Balances

Following observations are made.

- (a) Imprest balances aggregating Rs. 4,924,903 for the year under review had remained unsettled by 02 Provincial Departments even up to 23 October 2013.
- (b) Imprest balances in respect of prior to demerger of then North East Provincial Council’s Ministries and Departments up to 2010 amounting to Rs. 14,285,728 had not been settled up to 31 December 2012.

1.2.5 Deficiencies in the Commercial Advance Account Activities

Following observations are made.

- (a) The value of stocks shown in the accounts of the 09 Commercial Advance Account Activities could not be ascertained in audit as to whether the values shown in the accounts were reflecting the actual value of the stocks in the absence of physical verification reports.
- (b) Although estimates for 09 Commercial Advance Account Activities had been prepared by the Provincial Treasury, only 03 Commercial Advance Account Activities were in operation. In this regard, action had not been taken to wind up non-operating Commercial Advance Account Activities in terms of Provincial Financial Rule No. 286.
- (c) Credit balances amounting to Rs. 2,341,904 relating to Sales Center Advance Accounts Activity had been set off against debit balances of Rs. 44,444,787 without showing separately in the financial statements.

1.2.6 Deficiencies in the Deposit Accounts

Following observations are made.

- (a) List of the lapsed deposits had not been prepared at the end of each half year of the year under review in terms of FR 571.
- (b) Action had not been taken in terms of FR 571 on deposit balances amounting to Rs. 49,320,116 which were remaining in the account of the Provincial Ministries and Departments for over 02 years.
- (e) The balances as at 31 December 2012 of the Deposit Accounts of two Provincial Departments had been differed by Rs. 17,548,828 between the Appropriation Accounts and Financial Statements for the year under review. Details are given below.

Deposit Balance as at 31.12.2012	As per Appropriation Accounts	As per Financial Statements	Difference
-----	-----	-----	-----
Chief Minister's Secretariat	2,522,258	2,522,528	(270)
Department of Health Services	39,544,078	21,994,980	<u>17,549,098</u>
			<u>17,548,828</u>

1.2.7 Deficiencies in the Bank Reconciliation Statements

Following observations are made.

- (a) Considerable delays were observed in the preparation of bank reconciliation statements in respect of 102 bank accounts in operation in the Provincial Ministries and Departments excluding Provincial Schools.
- (b) Action had not been taken relating to unrepresented cheques to the value of Rs. 372,319 for over 06 months in terms of Provincial Financial Rule No. 237 relating to 04 Institutions. Details are given below.

Name of Ministry/ Departments	Value of Un presented Cheques Rs.
-----	-----
Provincial Public Service Commission	93,330
Chief Minister's Secretariat	4,445
Department of Local Government	243,235
Department of Rural Industries	<u>31,309</u>
Total	<u>372,319</u>

The above mentioned un presented cheques valued at Rs. 372,319 had been treated as expenditure during the year under review.

1.2.8 Lack of Evidence for Audit

Replies to 140 audit queries relating to the year under review and the preceding year had not been furnished even up to 16 September 2013 as shown below.

<u>Year</u>	<u>Number of Audit Queries Issued</u>	<u>Number of Audit Queries not Replied</u>	<u>Percentage</u>
2011	215	20	09%
2012	<u>256</u>	<u>120</u>	47%
Total	<u>471</u>	<u>140</u>	

1.2.9 Non - compliance with Laws, Rules and Regulations

Instances of non – compliance with the provisions in the following Laws, Rules and Regulations were observed in audit.

(i) **Tabling of the Annual Reports of the Provincial Council together with the Auditor General’s Reports to the Assembly**

Although the elected Provincial Council had assumed its office on 10 May 2008, the Annual Report together with the Auditor General’s report on the financial statements of the Provincial Council for the year 2011 had not been tabled in the Assembly of the Council up to 16 September 2013 in terms of Section 23 (2) of the Provincial Councils Act No. 42 of 1987.

(ii) Procurement plans for the year under review had not been prepared by whole five Ministries and twenty eight Departments in terms of Section 4.2 of the Procurement Guidelines 2006.

(iii) Daily running charts of the vehicles had not been submitted by several Ministries and Departments in terms of PFR 432.

(iv) Annual Boards of Survey had not been carried out for the year under review in terms of PFR 365 by 14 Departments.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the deficit of the Provincial Council Fund for the year ended 31 December 2012 amounted to Rs. 321,296,432 as against the surplus of Rs. 405,024,524 for the preceding year, thus indicating a deterioration in financial results by Rs. 726,320,956 due to increase in wages, salaries and other expenditure by substantial amounts.

2.2 Financial Performance

According to the books and records maintained by the Provincial Treasury, the total estimated provision and total net provision inclusive of supplementary provision, actual total expenditure and savings of 05 Provincial Ministries and 28 Departments for the year under review are summarized below.

	Estimated Provision	Net Provision inclusive of Supplementary Provision	Actual Expenditure	Savings	Percentage
	<u>Rs. (Mn)</u>	<u>Rs. (Mn)</u>	<u>Rs. (Mn)</u>	<u>Rs. (Mn)</u>	<u>%</u>
Recurrent	13,521.1	13,618.1	12,807.1	811.0	5.96
Capital	<u>1,671.0</u>	<u>1,603.0</u>	<u>1,135.0</u>	<u>468.0</u>	29.20
Total	<u>15,192.1</u>	<u>15,221.1</u>	<u>13,942.1</u>	<u>1,279.0</u>	8.40

2.3 Revenue and Expenditure

A summary of the overall revenue and expenditure of the Provincial Council for the year under review and the preceding year is given below.

	Net Provision	<u>2012</u> Actual	Variance	Net Provision	<u>2011</u> Actual	Variance
	<u>Rs. (Mn)</u>	<u>Rs. (Mn)</u>	<u>Rs. (Mn)</u>	<u>Rs. (Mn)</u>	<u>Rs. (Mn)</u>	<u>Rs. (Mn)</u>
<u>Revenue:</u>						
Government						
Grants	11,482	10,737	745	12,410	10,952	1,458
Other	<u>2,236</u>	<u>1,805</u>	<u>431</u>	<u>1,059</u>	<u>1,552</u>	<u>(493)</u>
	<u>13,718</u>	<u>12,542</u>	<u>1,176</u>	<u>13,469</u>	<u>12,504</u>	<u>965</u>
<u>Expenditure</u>						
<u>Recurrent</u>						
<u>Expenditure</u>						
Personal						
Emoluments	10,891	10,483	408	10,084	9,829	255
Other	<u>2,727</u>	<u>2,324</u>	<u>403</u>	<u>2,446</u>	<u>2,246</u>	<u>200</u>
Sub Total	13,618	12,807	811	12,530	12,075	455
Capital						
Expenditure	<u>1,603</u>	<u>1,135</u>	<u>468</u>	<u>1,588</u>	<u>1,253</u>	<u>335</u>
Grand Total	<u>15,221</u>	<u>13,942</u>	<u>1,279</u>	<u>14,118</u>	<u>13,328</u>	<u>790</u>

2.3.1 Actual Cadre

The overall approved and the actual cadre of the Provincial Council as at 31 December 2012 is given in the following statement.

Staff of the Provincial Council Institutions (Excluding Schools)

	<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>Shortfall/ (Excess)</u>
Staff Grades and Supporting staff Grades	26,191	24,846	1,345
Minor Grades	<u>4,045</u>	<u>4,448</u>	<u>(403)</u>
Total	<u>30,236</u>	<u>29,294</u>	<u>942</u>

403 Nos. of Minor Grades employees were employed excessively.

2.4 Operating Review

Following observations are made in respect of the performance of some of the Provincial Ministries and Departments of the Eastern Provincial Council during the year under review.

2.4.1 Provincial Public Service Commission

Advances to Public officers' Account as at 31 December 2012 had not been submitted to audit even up to 16 September 2013 in terms of Provincial Treasury Circular No. PT/17/2012 dated 30 December 2012.

2.4.2 Provincial Assembly Secretariat

(a) A sum of Rs. 8,280,000 had been paid as monthly fuel allowance to the 23 members of the Provincial Council in addition to their monthly salaries, fuel allowance and other allowances through the 05 Ministries of the Provincial Council during the year under review in contrary to the Provincial Treasury Circular No. 16/2008 dated 25 July 2008. This payment is considered as irregular payment due to the following reasons

- Authority for payments had not been made available to audit.
- There was no evidence to prove that coordinating works had been carried out or services rendered to the provincial Ministries / Departments by each member of the Provincial Council.
- Attendance of the members for the coordinating works carried out had not been made available for audit.

(b) A sum of Rs. 7,820,000 had been paid as loan for the members since the year 2010 to 2012 without considering two guarantees in terms of the Provincial Council and Local Authority Circular No. 1/2001 dated 28 March 2001. In this regard, loan balances of Rs.969,178 from members who were not in the Provincial Council as members at present had been remained unsettled even up to 16 September 2013.

2.4.3 Chief Minister's Secretariat

(a) A sum of Rs. 2,000,000 had been paid during the year 2008 as an advance out of the Provincial Funds for conducting Korean language class to 250 unemployed youths in Batticaloa district. However, the Korean language classes were suspended and courses

had not been completed as envisaged. In this regard, no action had been taken to recover the advance paid to the Former Secretary to the Chief Minister even up to 16 September 2013.

- (b) A sum of Rs. 7,201,500 had been paid for fuel charges for the use of Chief Secretary's vehicles contrary to the Provincial Treasury Circular No. 16/2008 dated 25 July 2008 during the period from September 2008 to July 2012.

2.4.4 Provincial Treasury

(a) Budgetary Control

There were several deviations observed where the expenditure incurred over the provision. In view of regularizing the expenditure incurred in excess of the budgetary provisions, several supplementary estimates had been prepared for transferring funds from the Treasury miscellaneous votes to various Provincial Ministries and Departments thus indicating that the budget had not been prepared on a realistic basis and the budget had not been made use of as an effective instrument of financial management control. Details are given below.

- Funds amounting to Rs. 74,536,455 had been transferred through 34 supplementary estimates from the Provincial Treasury miscellaneous votes to the various Provincial Ministries and Departments such as Department of Education, Department of Health, Department of Social Services etc.
 - 59 numbers of PFR - 45 applications had been affected for transfer of funds. However, the application for transfer of funds had been shown as FR 66 instead of PFR 45.
 - Limits of Advances to Public Officers Accounts and Commercial Advance Account Activities of the 05 Provincial Ministries and 28 Departments had been revised by the Chief Secretary and Deputy Chief Secretary - Finance in six instances.
- (b) Contributions to the Widows' and Orphans' Pension (W&OP) by the Provincial Public Service Officers amounting to Rs. 534,105,799 as at 31 December 2012 had not been remitted to the Department of Pensions and kept in the deposit accounts of the Provincial Treasury.
- (c) Department of Provincial Revenue
- (i) The Revenue Accounts for the year under review had not been rendered to audit in terms of State Accounts Circular No. 222/2012 dated 09 December 2012 even up to 16 September 2013.
 - (ii) Revenue accounts in terms of Provincial Financial Rule 144(2) had not been prepared and rendered for audit by the Provincial Department of Revenue. Half yearly returns of arrears of revenue in terms of Provincial Financial Rule 142 also had not been prepared and rendered to audit.

- (iii) A sum of Rs. 566,363,123 had been lying in the savings account of the Bank of the Department without being remitted to the Provincial Treasury as at 31 December 2012. In this regard, interest generated from the savings account amounting to Rs. 20,950,712 had not been brought to accounts.

2.4.5 Department of Animal Production and Health

Following items of assets had not been used for intended purpose for a long period.

Name of Veterinary <u>Surgeon Office</u>	<u>AI Can</u>	10/ Milk <u>can</u>	<u>Quantity</u>		
			<u>Type writer</u>	<u>Micro stethoscope</u>	<u>Theater lamp</u>
Akkaraipaththu	07	03	01	01	
Alayadiwembu		02		01	01
Irakkamam	03				
	----	----	----	----	----
	<u>10</u>	<u>05</u>	<u>01</u>	<u>02</u>	<u>01</u>

2.4.6 Department of Rural Industries Development

- (a) Six buildings of hand loom centers, 98 weaving machines and 13 winding machines in the following Weaving Centres had been allowed to idle.

<u>Weaving Centre</u>	<u>Weaving machines</u>	<u>Building</u>	<u>Winding machines</u>
Periyathumunai	06	-	-
Paddithidal	02	-	-
Ampara	04	-	-
Malwatta	01	-	-
Damana	05	-	-
Alayadiwembu	36	-	-
Ninthavur	08	-	-
Kaaraitivu	04	-	-
Sammanthurai	06	-	-
Veeramunai	04	-	-
Oluvil	01	-	-
Kuringakerni	03	01	07
Serunuwara	11	01	03
Kanthale	07	01	03
Wellaimanal	-	01	-
Sampalthivu	-	01	-
Poovarasanthivu	-	<u>01</u>	-
	<u>98</u>	<u>06</u>	<u>13</u>

- (b) Validity period of weaving materials amounting to over Rs. 1 million was expired due to improper management in Weaving Center, Alayadiwembu.

- (c) Five Electric coir production machines were allowed to idle for more than 06 months in the Coir Centre, Vinayapuram.

2.4.7 Ministry of Education, Cultural Affairs, Land Development and Transport

Dayata Kirula Exhibition had been held from 4th February to 11th February 2012. The quotations had been obtained for light and sound system for Dayata Kirula on 18 February 2012 after the completion of the Exhibition. Further, tender board meeting also had not been held.

2.4.8 Eastern Province Road Passenger Transport Authority

(a) Delay in Rendition of Financial Statements

Financial Statements of the Eastern Province Road Passenger Transport Authority, which should have been rendered for audit within six months after the closure of financial year in terms of Section 40 (1) of the Statutory Act No.02 of 2009 of the Eastern Province Road Passenger Transport Authority, for the year 2011 had been rendered only on 09 September 2013 and for the year 2012 had not been rendered to audit even up to 16 September 2013.

(b) Under recovery of Permit transfer charges

Fees payable from the transfer of Passenger Service permit to a person other than its legal successor had been charged as Rs. 100,000 with effect from 08 May 2012 by extra ordinary gazette notification No.1757/02. However, Rs. 50,000 only had been recovered from the persons in the Ampara District up to 31 May 2013 contrary to the above gazette notification resulting in a sum of Rs. 250,000 had been under recovery.

(c) Poor Responsibility of the Management

As per records maintained by the District Office of Ampara the under mentioned vehicle files had been sent to the Head office for name changes and other matters. However, the files had been kept in the Head office without action being taken for a long period as per details given below.

	<u>Up to 15</u>	<u>Year</u>	<u>Year</u>
	<u>July 2013</u>	<u>2012</u>	<u>2011</u>
No. of Files for Name Changes	03	12	02
No. of Files for other matters	07	03	02

- (d) Fees relating to permit transfers had been collected without obtaining approval of the Director General or Director (Operation and Planning) in terms of paragraph 3 of Divisional circular No.2010.05 dated 25 November 2010 of the Road Passenger Transport Authority, Eastern Province by Ampara District office.

2.4.9 Department of Provincial Director of Education

(a) Zonal Education Office –Trincomalee

- (i) Estimate had been prepared to engage heavy earth work for 40 hours of bulldozer D8. But 80 hours had been spent and D4 bulldozer only had been used. However the approval for the change had not been made available to audit.

- (ii) Even though the estimate had been prepared for foundation work by “Backhoe - 200 Horse Power” for 8 hours, the payments had been made for 13 hours. However, approval for the excess had not been made available to audit.
- (iii) According to the agreement, due date of completion was 15 September 2011. However, actual date of completion was 03 November 2011 and liquidation damage amounting to Rs. 22,572 had not been deducted from 15 September 2011.

(iv) Works given to Sub Contractors

The Construction works totaling Rs. 7,009,505 had been given to sub contractors by the School Development Society (SDS) contrary to Section 3.9.1 of the Procurement Manual 2006 and Public Finance Circular 452 dated 27 September 2011.

(v) Direct Contract to SDS

According to Section 3.9.1 of the Procurement Manual 2006, the works should be within the area of authority and purview of the Society. However, 11 works totaling Rs. 5,045,608 had been carried out contrary to the above instructions.

(b) Zonal Education Office – Muthur

- (i) A sum of Rs. 207,300 had remained as unsettled advances for a long period contrary to PFR 219(2)
- (ii) A sum of Rs. 1,896,271 had been remained in deposit account from 2000 to 2010 without action being taken in terms of FRR 570 and 571.
- (iii) Sub imprest advances had been given even though previous advances had not been settled by the officers. Further, sub imprest advances had been given for over Rs. 50,000 contrary to PFR 371.

(c) Zonal Education Office- Kanthale

- (i) A sum of Rs. 248,421.20 had been shown in the bank reconciliation statement for the month of June 2012 as unidentified payments. The payment date was 31 October 2006, action had not been taken to investigate the reasons for these lapses.
- (ii) A sum of Rs. 1,606,034.82 had remained in deposit account from 2002 without action being taken in terms of FR 570.

2.4.10 Ministry of Health and Indigenous Medicine

(a) Purchase of Push Bicycles Rs. 390,600

As per annual implementation programme 2012, a sum of Rs. 400,000 had been allocated under Criteria Based Grant (CBG) for Provision of tool kits for selected youth trained in the Divisional Secretariat (DS) division of Town and Gravets. However, the bicycles had been issued as follows,

<u>Divisional Secretariat</u>	<u>No of Bicycles</u>
Eravur	26
Muthur	05
Town and Gravets - Alankulam	05

- (b) According to the budget circular No. 156 dated 16 February 2012, the Secretary of the Ministry is responsible to ensure that the expenditure on fuel should be within the provision of the estimate 2012 and also based on the expenditure incurred for fuel in January 2012. However the fuel and lubricants expenditure of vote No. 950-03-02-1202 had been increased each month and additionally Rs. 510,000 had been transferred by virement procedure (which is 85% of the budget) contrary to the above circular.

2.4.11 Provincial Director of Health Service

- (a) A sum of Rs. 39,544,078 had been shown in the appropriation account as deposit balance as at 31 December 2012. However only Rs. 21,994,980 had been stated in the Financial Statements for the year under review.
- (b) Agreement had been entered between the Provincial Director of Health Service and Director of Net Com Technologies on 01 June 2010 for maintenance of computers for the period from 01 June 2010 to 31 December 2011 and payments amounting to Rs. 200,000 had been made monthly. However, all computers and printers had not been checked by the Technical persons as per the agreement.
- (c) Human Resource Management

192 officers such as Medical Officers, Medical Laboratory Technologists, Grade II Nurses, Attendants, Lab orderly, Watchers, Drivers, KKS, etc. had been deployed without approval of cadre as per details given below.

	Approved Cadre	Actual	Excess
	-----	-----	-----
General Hospital-Trincomalee	199	291	92
Base Hospital -Kanthale	63	73	10
Base Hospital-Muthur	31	65	34
Rural Hospital- Thambalagamuwa	30	14	16
Base Hospital-Kinniya	<u>29</u>	<u>69</u>	<u>40</u>
	<u>352</u>	<u>512</u>	<u>192</u>

(d) Supply of Diet

Supply of raw foods had not been inspected by an authorized officer properly and diet register had not been properly maintained in the General Hospital – Trincomalee, Base Hospital – Muthur, Rural Hospital – Thambalagamuwa, Rural Hospital – Pulmodai, Base Hospital – Kinniya and Rural Hospital – Eachchilampathai.

(e) General Hospital - Trincomalee

Board of survey for the years 2010, 2011 and 2012 had not been carried out in terms of PFR 365.

(f) Base Hospital -Kanthale

(i) A sum of Rs. 123,798 had been kept in the deposit account over 3 years without action being taken in terms of FRR 570 and 571.

(ii) A Generator had been shown as idle in the stores without being utilized for more than two years.

(iii) Action had not been taken to destroy or dispose of 40 Nos. of expired drugs items which were lying in the stores of Kanthale Base Hospital.

(g) MOH Office - Thambalagamuwa

At a physical verification carried out on 22 November 2012 at drugs stores of MOH office, it was observed that, the valuable drugs had been shown as shortages and excess as per details given below. However, action had not been taken to investigate these.

Items	Book Balance Qty.	Actual Balance Qty.	Shortage Qty.	Excess Qty.
-----	-----	-----	-----	-----
Folic Acid	1000	10000	-	9000
Ferronr sinlphate (Prowse caliphate)	6000	5000	1000	-
Vitamin B	4000	2000	2000	-
Calcium Lackte	12000	11000	1000	-

(h) Regional Director of Health Service

The board of survey for the General Stores from 2010 and surgical items from 2009 had not been carried out in terms of PFR 365.

2.4.12 Department of Indigenous Medicine

Supply of diet had not been properly inspected by an authorized officer and the diet register had not been properly maintained in wards. Further, diet supply schedule had not been followed by diet supplier as recommended by doctors.

2.4.13 Department of Buildings**Advance Payments**

Following advance payments had been made by the Department of Buildings, Trincomalee without the estimates of expenditure. Details are given below.

<u>Purpose</u>	<u>Amount paid</u> <u>Rs.</u>
Sports meet, Eastern Province	20,000
Imprest for management charges	300,000
Release of imprest for recurrent works	175,000
Release of imprest for recurrent works	100,000

2.5 Utilization of Funds

Particulars of funds received from various sources for the Development Work proposals of the Provincial Council Offices and the actual expenditure incurred thereon are given below. However, no meaningful action had been taken to utilize the balance money for the intended purposes.

<u>Description of Items</u>	<u>Net Provision</u> <u>Rs.</u>	<u>Actual Expenditure</u> <u>Rs.</u>	<u>Savings</u> <u>Rs.</u>	<u>Percentage of Unutilization</u> <u>%</u>
(i) Provincial Specific Development Grants (PSDG)	857,000,000	610,000,000	247,000,000	28.82
(ii) Health Sector Development Project (HSDP)	5,000,000	-	5,000,000	100.00
(iii) United Nations Children's Fund (UNICEF)	167,000,000	159,593,539	7,406,461	4.44
(iv) Criteria Based Grant (CBG)	267,000,000	145,780,000	121,220,000	45.40
(v) Pro-poor Rural Development Project / United Nations Population Fund (UNFPA)	23,000,000	5,227,248	17,772,752	77.27
(vi) Establishment of 1000 School Programme (GOSL and WB)	144,000,000	125,000,000	19,000,000	13.19
(vii) GOSL	40,000,000	32,760,000	7,240,000	18.10

2.6 Identified Losses

A sum of Rs. 1,354,424 had been reported in the appropriation accounts of a Ministry and a Department as identified losses and losses to be written off as at 31 December 2012. However, no action had been taken by the Departments concerned to write off these losses in terms of Provincial Financial Rule 69.

2.7 Supervision over the Affairs of the Local Authorities

In pursuance of provisions in Section 4.2 of the Eighth Schedule to the Thirteenth Amendment to the Constitution of Sri Lanka, the supervision of the Local Authorities of the Province had been devolved on the Provincial Council. The matters observed in audit of the financial statements of the Local Authorities were brought to the notice

of the Heads of the respective Local Authorities. In this connection, the following observations are made.

(a) Out of the 45 Local Authorities in the Eastern Provincial Council, 03 Local Authorities had not rendered annual accounts for the year under review to audit even up to 16 September 2013.

(b) The Commissioner of Local Government or the Chief Secretary or the Secretary to the Ministry in charge of the subject of Local Government of the Eastern Provincial Council had not taken steps to implement an effective and meaningful methodology for the internal audit of the Local Authorities.

(c) **Construction of Market Building – Rs. 5.84 Million**

The market building constructed by the Urban Council, Trincomalee at a cost of Rs. 5,830,887 was remaining as unutilized for over 08 years and were being used by other Institutions.

(d) **Arrears of Revenue - Rs. 249,826,198**

Rates, rents and other revenue in arrears of the 45 Local Authorities in the Eastern Provincial Council as at 31 December 2012 were reported as per details given below.

<u>Local Authority</u>	<u>No. of Local Authorities</u>	<u>Amount Rs.</u>
Municipal Councils	3	69,906,885
Urban Councils	5	104,438,116
Pradeshiya Sabhas	<u>37</u>	<u>119,166,970</u>
Total	<u>45</u>	<u>293,511,971</u>

In this regard, no meaningful action had been taken to collect the revenue in arrears amounting to Rs. 293,511,971 by the respective Local Authorities.

(e) **Courts Fines and Stamp Duties**

Fines imposed by the courts situated within the area of Local Authorities according to the statutory provisions and the stamp duties relating to transfer of property retained by the Provincial Council or other Authorities had been kept with them without being remitted to the Local Authorities due to failure in making timely request. Details of unrecovered court fines and stamp duties as at 31 December 2012 were as follows.

<u>Local Authority</u>	<u>Amount Rs.</u>
Municipal Councils	28,963,646
Urban Councils	27,374,545

Pradeshiya Sabhas	<u>77,813,009</u>
Total	<u>134,151,200</u>

- (f) Common deficiencies observed in audit relating to the accounts of the Local Authorities are summarized below.
- (i) Provincial Commissioner of Local Government had not taken adequate action on reports of the Local Authorities furnished by the Investigation Officers of the Provincial Commissioner of Local Government.
 - (ii) Undue delays in the preparation of bank reconciliation statements were observed.
 - (iii) Balances of control accounts had not been reconciled with the balances shown in the subsidiary registers or records.
 - (iv) Members of several Local Authorities who were not entitled to use official vehicles were utilizing the official vehicles.
 - (v) Local Authorities had executed construction works using their own labour force. However, no proper job sheets had been prepared. Therefore, no inventory control or stock control was exercised. Due to this, it was not possible to verify stocks position and ascertain shortages / excesses of stocks in audit.

2.8 Functions of the Internal Audit Department

Following observations are made.

- (a) The Auditor General had not been consulted in the preparation of the internal audit programme by the Provincial Internal Audit Department in terms of PFR 101.
- (b) No meaningful action had been taken by the Provincial Ministries and Departments on the several matters reported by the Provincial Internal Audit Department.

3. Systems and Controls

Weaknesses observed in systems and controls in the areas such as personnel management, budget, expenditure, payments, Advances to Provincial Public Officers, Commercial Advance Account Activities, assets management, maintenance of accounting records, control of bank accounts and imprest, utilization of vehicles, internal audit function etc. were brought to the notice of the relevant Secretaries to the Ministries and the Chief Secretary by the audit queries issued from time to time.