

## North Western Provincial Council - 2011

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### 1. Financial Statements

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#### 1:1 Opinion

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the North Western Provincial Council had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matter referred to in paragraph 2:2 of this report, the financial statements have been prepared and presented in accordance with Generally Accepted Accounting Principles and give a true and fair view of the financial position of the North Western Provincial Council as at 31 December 2011 and the financial results of its operations and cash flows for the year then ended.

#### 1:1.1 Presentation of Financial Statements

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##### (a) Provincial Council Fund Account

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The Provincial Council Fund Account relating to the year under review had been presented to audit on 19 April 2012.

##### (b) Non - presentation of Revenue Accounts

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Even though the Accounting officer who is given the statutory powers in respect of revenue as per Provincial Financial Rules should prepare the revenue Accounts entrusted to him and present to the Auditor General, the revenue Accounts for the year under review relating to the Heads of the Provincial Council had not been presented to the Auditor General even up to 31 in March 2012.

(c) Other Accounts  
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The progress of presentation of the other accounts of the Provincial Council for the year under review as at 31 March 2012 is given below..

Financial Statements	Total Number of Accounts	Number of Accounts Presented	Relating to the Year 2011	
			Number of Accounts not Presented	Number of Accounts not Presented Relating to Previous Years
(i) Appropriation Accounts	26	26	--	05
(ii) Revenue Accounts	04	--	04	12
(iii) Advances to Provincial Council Officers Accounts	74	60	14	32
(iv) Commercial Advance Accounts	07	05	02	02
(v) Fund Accounts	04	03	01	04
(vi) Statutes Accounts	09	09	--	17
Total	124	103	21	72

1:2 Comments on Financial Statements  
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1:2:1 Accounting Deficiencies  
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Revenue on Interest of Rs.730,022 received on fixed deposits of the North Western Sports Fund and the membership fees received for life-long members amounting to Rs.600,000 totalling Rs.1,330,022 had been overstated in the accounts.

1:2:2 Accounts Payable  
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The value of accounts payable balances remained for more than 01 year in 2 Departments belonging to the North Western Provincial Council amounted to Rs.2,949,873.

1:2:3 Imprest Accounts  
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According to the Financial Statements, the unsettled imprest balance by 4 Ministries and Departments of the Provincial Council to the Institute in the year under review amounted to Rs.13,062,651. This balance had included a balance of Rs.819,533 unsettled for more than one year.

1:2:4 General Deposit Accounts  
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The value of general deposits remained unsettled for more than 2 years as at 31 December 2011 for which action should have been taken in terms of Financial Regulation 571 but not taken action accordingly amounted to Rs.4,228,021.

1:2:5 Lack of Evidence for Audit  
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Non availability of the following evidence was revealed.

(a) Unreplied Audit Queries  
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Replies to 31 Audit queries had not been presented as at 31 December 2011 and the quantifiable value of such transactions subjected to those audit queries amounted to Rs.28,306,746.

(b) Non – rendition of information

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Transactions totalling Rs.343,919 could not be satisfactorily vouched in audit due to non-rendition of the following information relating to the 4 institutions of the North Western Provincial Council.

- (i). Written Confirmation to ensure the distribution of goods.
- (ii). Particulars of repair of water filters and prices
- (iii). Requirements for purchasing goods

1:2:6 Non-compliances

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Non - compliance with Laws, Rules, Regulation etc.

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Certain instances of Non - compliance with laws, rules regulations and management decisions are given below.

Reference to Laws, Rules, Regulations  
and Management Decisions

Non-compliance

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(a) Statutory Provisions

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(i) Employees Provident Fund  
Act No.15 of 1956

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The employer's contribution of Rs.57,978 relating to 6 employees who work in the Shilpa Shalika for the year 2010 had not been remitted to the Employees Provident Fund.

(ii) Section 15 (4) and 16 of the  
North Western Province  
Sports Statute No.42 1992

A report on the administration of the North Western Province Sports Fund, should be prepared by the Secretary to the Ministry after the lapse of each calendar year as early as possible along with the Auditor General's report and submitted to the North Western Provincial Council. Nevertheless, such reports in respect of the previous years had not been prepared and presented to the Council.

(b) Financial Regulation (F.R.)

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Financial Regulation 571

Action in terms of Financial Regulations had not been taken in respect of a sum of Rs.250,564 received in the years 2008 and 2009 retained in a deposit account for more than 2 years by the Department of Provincial Co- operative development.

(c) Establishments Code - Paragraphs 13.3 and 13.4 of Chapter II

Although unqualified officers in the Teachers Service had been recruited to the acting principles posts in 93 schools in the Giriulla and Nikaweratiya zones since several years, action had not been taken to make permanent recruitments even up to 31 December 2011.

(d) Procurement Circular dated 01 March 2006 on the Procurement Guidelines on Government Tender Procedure

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(i) Paragraph 3.3  
Paragraph 2.7.7

D.P.Wikramasingha Vidyalaya had purchased goods valued at Rs.116,255 in 10 instances and the Governors office had purchased a generator valued at Rs.996,800 during the year under review without following the procurement procedure.

(ii) Paragraph 4.2.2

Although furniture and equipment valued at Rs.12,981,952 purchased during the year 2011 had not been in conformity with the specifications , 11 cheques written thereon on 31 December 2011 had not been handed over to the relevant Suppliers even by 02 April 2012.

(e) Provincial Financial Rules

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(i) Rule No.91.2 (e), 117.1 and  
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Out of revenue collected by 4 Divisional Secretariats during the year 2011, a sum of Rs.20,541,020 had not been remitted to the Provincial Council.

(ii) Rule No.274

Although any account of the Provincial Council should not be overdrawn, bank overdrafts in 5 instances during the year 2011 had been obtained by the Giriulla Zonal Education Office without formal approval.

(iii) Rule No.283

Action in terms of Provincial Financial Rules had not been taken in respect of cheques valued at Rs.6,221,514 lapsed for more than 6 months in 4 institutions of the Provincial Council in the year under review.

(iv) Rules 560, 561.10 (e), 477

Twenty three Air Conditioners installed in the office of the Provincial Director of Health Services had not been taken in to assets registers and they had also not been annually verified.

(f) Circulars

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Finance Commission Circulars  
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(i) Circular  
No.FC/PSDG/&CBG/2011/1  
dated 26 July 2011 of the  
Finance Commission

Although only 90 per cent of the cost of tool sets can be paid to beneficiaries to obtain the tool sets for self employment as a direct grants from the provincial investment funds, the Divisional Secretariat, Dankotuwa had paid the full cost of equipment amounting to Rs.398,200 to 15 beneficiaries from the Provincial Investment Fund.

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| (ii) Circular No.118 dated 11 October 2004 of the Director General of National Budget   | The loan balances receivable from 18 officers served within the North Western Province from 1992 to 2010 to the Puttalam Zonal Education Office totalled Rs.952,540 and the loan balances receivable from 11 officers who came on transfer from other institutions within the North Western Province totalled Rs.734,020. Action had not been taken to settle these balances even up to 30 June 2012. |
| (iii) Paragraphs 5.2.1 and 5.2.1 (2) of the scheme of recruitment and promotion for the post of Psychology Instructor of the Department of Health | A person who had served on contract basis and not fulfilled the Qualifications in the North Western Provincial Public Service recommended by the North Western Provincial Public Service Commission had been recruited as a Psychology Instructor as a permanent employee of the Provincial Public Service.   |
| (iv) Government Land Guidelines Sectors 132 and 134   | The outstanding long term and annual land taxes as at the end of the year 31 December 2011 in 12 Divisional Secretariats totalled Rs.2,682,453. Action had not been taken to recover the outstanding and to take necessary action.  |

2. Financial and Operating Review

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2:1 Financial Results

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According to the Financial Statements presented, the surplus of the Provincial Council Fund for the year ended 31 December 2011 amounted to Rs.604,901,992 as compared with the surplus of Rs.178,191,182 for the preceding year.

2:2 Income and Expenditure

According to the financial statements presented, a summary of the income and expenditure for the year under review and the preceding year is given below.

Particulars	2011			2010		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs. (million)	Rs. (million)	Rs. (million)	Rs. (million)	Rs. (million)	Rs. (million)
<b>Revenue</b>						
Tax Revenue	2,714.70	3,071.77	(357.07)	2,870.00	2,321.62	548.38
Non-tax Revenue	606.30	1,298.63	(692.33)	740.00	626.99	113.01
Government Grants	15,843.44	14,680.51	1,162.93	15,384.50	14,280.25	1,104.25
<b>Total</b>	<b>19,164.44</b>	<b>19,050.91</b>	<b>113.53</b>	<b>18,994.50</b>	<b>17,228.86</b>	<b>1,765.64</b>
<b>Recurrent Expenditure</b>						
Personal Emoluments	12,718.26	13,452.99	(734.73)	12,502.99	12,118.32	384.67
Other expenditure	4,261.16	3,102.56	1,158.60	4,221.85	2,903.96	1,317.89
<b>Sub – Total</b>	<b>16,979.42</b>	<b>16,555.55</b>	<b>423.87</b>	<b>16,724.84</b>	<b>15,022.28</b>	<b>1,702.56</b>
Capital Expenditure	2,185.00	1,890.47	294.53	2,469.66	2,028.38	441.28
<b>Total</b>	<b>19,164.42</b>	<b>18,446.02</b>	<b>718.40</b>	<b>19,194.50</b>	<b>17,050.66</b>	<b>2,143.84</b>

Of the total expenditure of Rs.18,446.02 million for the year under review, 90 per cent had been recurrent expenditure while 10 per cent had been capital expenditure.

2:3 Revenue Administration

The following observations are made.

- (a) Revenue accounts of the Provincial Council for the last 3 years had not been presented to Audit. The arrears of revenue existed as at the end of past 2 years, as compared with the arrears of the year under review are given below.

	<u>2011</u> Rs.	<u>2010</u> Rs.	<u>2009</u> Rs.
Tax Revenue	5,462,082	548,375,620	182,981,777
Non-tax Revenue	16,574,054	4,100,006,361	31,690,098
<b>Total</b>	<b>22,036,136</b>	<b>4,648,381,981</b>	<b>214,671,875</b>



- (b) Court fines amounting to Rs.61,721,041 and stamp fees of Rs.89,755,692 received relating to 30 Local Authorities up to 31 December 2011 had not been sent to the respective Local Authorities.
- (c) As action had not been taken to update the particulars of vehicles existed within the Divisional Secretariat divisions, a sum of Rs.24,166,826 had been in arrears revenue on vehicle license as at 31 December 2011 only in 15 Divisional Secretariats.

2:4 Savings of Approved Provisions  
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The entire provision of Rs.7,606,440 allocated to 13 Heads under the Provincial Ministries and Departments in 46 instances had been saved. Savings ranging from 25% to 99% from provisions allocated to 23 Heads totalling Rs.1,431,544,700 in 141 instances were shown.

2:5 Transfer of Provisions  
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The following observations are made.

- (a) Out of the provisions of Rs.958,182,400 made from supplementary provision to the North Western Provincial Council, a sum of Rs.137,173,070 ranging from 2% to 94% had been transferred to some other expenditure items under the Provisional Financial Rules 30 - 32 in 10 instances.
- (b) A supplementary provision of Rs.78,576,000 had been obtained under expenditure item No.231-70-03-1001 and a sum of Rs.90,665,506 exceeding the supplementary provision had been transferred to that expenditure item under Provincial Financial Rules 30 - 32 during the year 2011.

2:6 Non-compliance with the Limits on Advance Accounts

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The following observations are made.

- (a) Contrary to the Financial Regulation 503 of the Republic of Sri Lanka and the Financial Rule 369 of the North Western Provincial Council, the maximum limit of expenditure in one commercial advance account item and the maximum debit limit in 3 items had not been complied with by Rs.5,314,774 and Rs.33,613,214 respectively.
- (b) The Minimum limit of receipts in one item of Advances to Provincial Public Office Account had not been followed by Rs.1,462,402 and the maximum limit of expenditure in 41 items of state Ministries and Departments had been exceeded by Rs.1,134,293.

2:7 Working Losses

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The following observations are made.

- (a) The working losses observed in 01 commercial advance account in the year under review amounted to Rs.2,101,064 and losses were continuously reported for the last 21 years. Action had not been taken to cover the above working losses in terms of Provincial Financial Rule 375 and the attention had not been paid by the management on the economic and social justification in operating advance accounts with losses.
- (b) The annual estimated provision had not been made for losses amounting to Rs.3,382,494 revealed in the commercial advance accounts in the previous year in terms of Provincial Financial Rule 379.

2:8 Human Resources Management

2:8:1 Approved and Actual Cadre

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Particulars of approved and the actual cadre of the North Weston Provincial Council as at 31 December 2011 are given below.

(a) Provincial Council Ministries, Departments and Institutions  
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Category of Posts -----	Approved -----	Actual -----	Vacancies -----	(Excess) -----
Staff Assistants	10,690	8,951	1,739	-
Minor Employees	6,909	5,640	1,269	-
Others (Casual, Temporary)	-	1,642	-	( 1,642)
<b>Total</b>	<b>17,599</b>	<b>16,233</b>	<b>3,008</b>	<b>(1,642)</b>
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(b) School Staff  
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Category of Posts -----	Approved -----	Actual -----	Vacancies -----	Excess -----
Principals	1,430	1,069	361	-
Teachers	23,573	23,354	219	-
Minor Employees	1,359	1,290	69	-
Others	1,516	1,076	440	-
Casual, Temporary	-	02	-	(02)
<b>Total</b>	<b>27,878</b>	<b>26,791</b>	<b>1,089</b>	<b>(02)</b>
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In the audit test checks of the above data revealed the followings.

- (i) Without the approval of the Department of Management Services, the Department of Small Industries had employed 3 Development Assistants and 3 Programme Assistants during the year under review and a sum of Rs.868,115 had been paid as salaries.
- (ii) In the examination of the approved cadre of the Giriulla Zonal Education Office, 2 Ordinary Labourers and 19 Watchers had been employed without any approval and the salaries and allowances had been paid by the Provincial Council.

2:8:2 Excess Human Resources  
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In addition to the approved cadre of the Ministry of Social Welfare Probation and Childcare, Women Affairs and Rural Development, 19 Programme Assistants and 8 Sewing Instructors had been recruited and a sum of Rs.231,348 had been paid as salaries.

2:9 Assets Management  
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The following observations are made.

2:9:1 Idle and Underutilised Physical Resources  
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Audit test checks revealed that the following physical resources had been idled or underutilized.

Nature of the Asset		Quantity/ Sq.tts	Value	Idled Period -Years
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			Rs.	
(a)	Buildings			
	Computer room	01	338,073	3 years
(b)	Office equipment			
	(I) Music instruments	24	199,332	More than 5 years
	(II) Computers	13	128,348	More than 1 year
	(III) A stock of equipment	01	106,840	More than 2 years
(c)	Others:			
	(I) Construction of a tube well	01	388,120	More than 2 years
	(II) Bawa machine	19	194,750	More than 1 year
	(III) CFL bulbs	1502	351,468	More than 1 year
	(IV) A stock of fishing instruments	01	6,934,870	More than 1 year
	(V) Water project	01	229,814	More than 1 year
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			8,871,615	
			=====	

- (d) Forty official quarters attached to the hospitals, central dispensaries of the North Western Province and the offices of the Medical Officer of Health had been closed down for a period of more than 10 years without being utilized.
- (e) Forteen children beds and rubber metresses received by the Dambadeniya hospital in the year 2006 from the issue order No.A/26-667852 had not been utilized even up to 05 July 2011 and action had not been taken to send them even to the other hospitals.

#### 2.9.2 Physical Resources obtained from other Institutions

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Even though improvement and constructions had been made in the centers established as 15 carpentry centers, 17 fiber centers, 04 engineering centers, 05 clay industrial centers and 01 folk arts center belonging to the Department of Small Industries, action had not been taken to acquire the lands in which such centers had been set up by the Department of Small Industries.

#### 2.9.3 Unverified Assets

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The following observations are made.

- (a) Board of survey had not been conducted in 4 Ministries/Department of the Provincial Council relating to the year under review in terms of Provincial Financial Rule 476.
- (b) According to the physical verification carried out on 05,06 and 07 July 2011 at the drugs stores in the Base Hospital at Dambadeniya, a shortage of 43 types of drugs valued at Rs.617,262 and an excess of 27 items of drugs valued at Rs.41,244 and a shortage of 8 Surgical instruments and an excess of 3 types of surgical instruments valued at Rs.67,498 and Rs.11,429 respectively were revealed.

2:9:4 Accounts Receivable  
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The value of 5 balances receivable from 3 institutions as at 31 December 2011 amounted to Rs.26,616,865 and the value of balances remaining for over one year totalled Rs.1,274,827.

2:9:5 Unsettled Advances  
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According to the Advances to Provincial Public Officers account relating to the year 2008 in the Provincial Department of Health Service and presented to the Auditor General on 21 September 2010, loan balances of Rs.50,026,962, Rs.28,969,041, Rs.423,085 and Rs.677,614 receivable from officers who had transferred in and out, vacation of their posts and deceased and retired officers respectively had not been settled.

2.9.6 Staff Loans Receivable  
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The followings matters were observed.

- (a) The balances of staff loan advances receivable as at 31 December 2011 totalled Rs.2,923,350 and the balances outstanding for more than 01 year totalled Rs.993,689.
- (b) Sums of Rs.147,150 and Rs.212,300 receivable from 2 officers who had vacated their posts and from an officer who had been dismissed from service in the Department of Provincial Co-operative Development respectively had been shown in the accounts.
- (c) In the accounting of settlement of loan balances of the officers who had been transferred out, the value of such loan balances in accordance with the Loan Control Account of the Department of Provincial Co-operative Development amounted to Rs.662,836 and according to the Note on adjustment of debits and credits as per Provincial Financial Rules 368 that balance was Rs.745,106 and as such a difference of Rs.82,270 was observed.

- (d) The total loan balances recoverable from 224 officers who had gone on transfer to other Departments from the Puttalm Zonal Education Office during the period from 1992 to 2010 amounted to Rs.3,069,927, and the total loan balances payable to each department from which 78 officers came in totalled Rs.3,501,315. Action had not been taken to settle those balances even up to 31 July 2012.

2:10 Identified Losses and Damages  
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According to a test check carried out and information available in the institution revealed the following losses and damages.

- (a) Annual rental from 2 institutions belonging to the Department of Small Industries and the losses amounting to Rs.960,030 and Rs.4,858,720 respectively were receivable.
- (b) Out of royalties on sand mining receivable to the North Western Ministry of Agriculture, a sum of Rs.33,762 had not been recovered up to 31 December 2011.
- (c) 1,391,407 units of expired surgical instruments and drugs belonging to the 125 stock items valued at Rs.21,969,201 in the Kurunegala stores and 2 hospitals belonging to the North Western Province Department of Health Services, which had been subjected to Audit test checking and 55172 units of drugs stock valued at Rs.35,334 which had been rejected due to sample failure had been kept in the stores. A loss of Rs.473,050 had been incurred due to all tyres of the ambulance bearing no.41-5440 being destroyed by fire.
- (d) The yield tax recoverable from lands leased to the Paragammana White Fiber Company and the Pannala Norikathe Company, amounting to Rs.98,576 had not been collected by the Divisional Secretary, Pannala even up to 31 December 2011.

2.11 Apparent Fraudulent Transactions

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The following matters were observed.

- (a) A sum of Rs.145,000 on 10 General 35 voucher forms prepared for the payment of Rs.14,500 per sportsman to purchase shoes by the Ministry of Health Indigneous Medicine, Sports and Youth Affairs had been taken by the Head quarters Sports Officer by placing his forged signature on those payment vouchers.
- (b) The Music Teacher of years 6 - 11 in the Sir John Kotalawala Maha Vidyalaya in Kurunegala had collected Rs.18,800 at Rs.200 per student for the repair of music room again which had been repaired before as a project of a intern teacher and retained in hand without any approval.
- (c) Despite the parents had carried out the works in item 11 to 16 parts of the estimate relating to the construction of the class room buildings, 60 x 25 in extent in the Beminigalla Junior school in Kuliypitiya Zonal, a sum of Rs.38,345 had been paid to the contractor for the same work.
- (d) Although the cash balance as per the advance register in the Ibbagamuwa Zonal Education Office should have been Rs.93,942 the cash balance produced for audit verification was only Rs.48,817 and as such a shortage of Rs.45,125 was observed.

2.12 Uneconomic Transactions.

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The following instances were observed.

- (a) Even though the Department of Road Development Kuliypitiya had purchased 58600 liters of tar by incurring an expenditure of Rs.5,361,900 on voucher no.639 on 31 December 2011, it had remained in the stores even by 10 February 2012 as the requirement had not been identified before being purchased.
- (b) As a proper study had not been carried out in ordering uniform cloths for the year 2010 by the Nikaweratiya Zonal Education Office, 8783 sets of uniforms received for the year 2010 had been retained in the stores even by 16 November 2011.



- (c) As the official bangalaw vested in the North Western Province, Ministry of Health which had belonged to the Ministry of Public Administration had not been properly maintained. A house based on an annual lease rental of Rs.300,000 had been obtained for the use of the Minister in charge of the subject, stating that the above house was not suitable for occupation.
- (d) Fourteen sets of computers and computer accessories incurring an expenditure of Rs.1,318,605 had been purchased on 17 February 2011 and 08 February 2011 respectively for 3 schools in the Kurunegala Zone by the Provincial Department of Education, out of which 4 computer sets had been inoperative as at 31 December 2011.
- (e) Nineteen cheques valued at Rs.281,283 written in the name of shoroff in the Puttalama Zonal Education office on 31 December 2011 had not been encashed even by 13 January 2012, the date of Audit.

2.13 Transactions not supported by adequate Authority

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The following observations are made.

- (a) The prior approval of the Cabinet of Ministries should be obtained to re-employ a retired officers on contract basis in terms of paragraph 9.1 of Chapter 11 of the Establishments Code. Contrary to that provision, the Ministry of Social Welfare Probation and Childcare, Women Affairs and Rural Development had re-employed the former Secretary without the approval of the Cabinet of Ministers and a sum of Rs.109,154 had been paid as salaries, wages and holyday pay. A retired officer in the Provincial Secretariat had also been re-employed and a sum of Rs.134,634 had been paid as salaries and fuel allowances.
- (b) Eventhough the approved allowance payable to an honorary trainer amounted to Rs.9,000, according to the payment register a sum of Rs.19,000 had been paid by the Ministry of Health, Indigenous Medicine Sports and Youth Affairs.
- (c) The agreed amount payable to the announcer selected for directing the stage and announcing activities in the National Thalassemia Festival held on 09 May 2011 by the Ministry of Health Indigenous Medicine Sports and Youth Affairs according to the decision of the procurement committee amounted to Rs.50,000. However a sum of Rs.75,000 had been paid with an additional sum of Rs.25,000.

- (d) Six officers not within the approved personnel cadre of the Minister of Road Development Electricity Housing, Constructions and Fisheries of the North Western Province had been employed and a sum of Rs.2,166,605 had been paid as salaries in the year 2011.
- (e) Out of cash in hand as at 05 July 2011 with the cashier of the Dambadeniya Hospital, a sum of Rs.34,928 had been collected without being issued official receipts and a proper approval therefor had not been obtained from the Secretary to the Ministry or from the Provincial Director of Health Services.
- (f) Without the approval of the North Western Director of Education, a sum of Rs.343,200 had been collected from students of grades 1 - 5 without issuing receipts in the Kurunegala Sir John Kotalawala Maha Vidyalaya.
- (g) A sum of Rs.188,500 had been paid as incentives and sponsorship allowances by the North Western Province Sports Fund and a policy on the payment of such allowance to each sportsman had not been determined and got it approved.
- (h) A sum of Rs.651,270 comprising a sum of Rs.329,425 to make a netted fence round the Governor's Official Bangalow on 01 July 2011, and a sum of Rs.321,818 to make a cover to install the Generator on 07 December 2011 had been incurred from expenditure Head 201-03-01-2004. Nevertheless, there was no provision in the annual estimates under this head and the estimates had not been revised in terms of Provincial Financial Rules 24:3 and 24:4 of Chapter 01 as well.

#### 2.14 Irregular Transactions

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The following observations are made.

- (a) Contrary to the paragraph 6 (8) of the Circular No. FC/PCG and CBG/Circular 2011/1 issued by the Finance Commission on 25 July 2011, the Kuliypitiya Road Development Department had recruited temporary Work Supervisors and a payment of Rs.254,000 had been made as at 31 December 2011.
- (b) A sum of Rs.8,390,146 had been spent for the development of 6.7 Km. in 25 roads for which provision in the annual action plan of the Chief Ministry had not been made.

- (c) Medical equipment valued at Rs.3,479,929 for which perches orders were handed over in November and December 2011 by the Provincial Department of Health Services had not been received even by August 2012.
- (d) 2002 liters of fuel had been obtained for the official vehicle of the District Director of Health Services in excess of the approved limit without approval.

## 2.15 Transactions of Contentious Nature

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Transaction of contentious or questionable nature revealed at audit test checks are given below.

- (a) Allowances of Rs.177,028 had been paid to the Private Secretary of the Governor of the North Western Province for the period from December 2010 to December 2011 during which he had not reported for work.
- (b) Accounts of 8 years of a society in which a cash fraud of about Rs. 4 million had occurred during the period from 01 April 2001 to 31 March 2009 had been certified as correct by the Commissioner of Co-operatives.
- (c) Eventhough an agreement had been entered in to with a private firm for the creation of a computer software to operate the activities of the Co-Operative Employees Pensions Scheme for a sum of Rs.672,000, certain functions of the computer programme prepared could not be operated even by April 2012 though the period of agreement had expired.
- (d) Although the Sports Officer attached to the Chief Minister's office since 01 January 2010 had proceeded abroad on no pay leave from 07 October 2011 to 25 November 2011, the Ministry of Health Indigenous Medicine, Sports and Youth Affairs had paid a sum of Rs.50,928 to him as salaries.
- (e) A sum of Rs.1,649,500 had been paid to a supplier at Oddusudan for the purchase of 10,000 Kg. of seed peanuts by the Department of Agriculture, contrary to the Procurement Guidelines, and the Director of Agriculture, Mullathive had informed that an advance of Rs.495,000 had been paid to collect seeds from farmers houses.
- (f) An incentive allowance of Rs.25 per application for scheduling and presantion of applications to the Commissioner General of Examination for conducting examinations for the officers attached to the North Western Province Public Service Commission from calling for applications had been approved by the Governor and a sum of Rs.423,700 had been paid during the year 2011.

- (g) In excess of the approved number of posts of the Public Service Commission 2 persons had been employed and the salaries and allowances amounting to Rs.141,786 and Rs.561,626 had been paid to them during the years 2010 and 2011 respectively.
- (h) 52.6 purchase in extent of the Madangahawatta land owned by the government under original plan No.190, surveyed in the year 1968 situated in the area of Mahawewa Divisional Secretariat was encroached by a private entity since 1982 and action had not been taken to acquire the property and to recover lease rent or to take over the re-possession of the land.
- (i) An unauthorised 2 storied building had been constructed in a state land situated at Hawana Village within the area of Mahawewa Divisional Secretariat by the Hawana Wathugahamulla SANASA Unlimited Society 18 years ago. Action had not been taken to rent out the property and recover the rent.
- (j) Of the Dikodaya Land owned by the government, 30 acres in extent situated at Thoduwawa Village area within the Mahawewa Divisional Secretariat area, a part of it, 10 acres and 12 purchase in extent had been leased out to a private businessman under the leasehold deed No.4/10/14231 for 30 years since 01 January 1992 for prawn cultivation. However action had not been taken to assess the land and to recover the lease rental of 4 per cent of the assessed value. Survey fees had also not been recovered from the lessee.
- (k) As the combined allowance and overtime allowance had been paid without comparing the times stated in the daily running charts of certain selected vehicles in the Kurenegala District Office of the Director of Health Services with the times stated in the watchers gate record books, and over payment of Rs.92,479 had been made from only voucher No.10 of 04 August 2011 as combined allowance and over time allowances.
- (l) Out of the provision for Development Schemes of the Provincial Councillors, equipment including office equipment valued at Rs.213,250 had been supplied to government offices in 7 instances. Although provisions for these should have been made under expenditure heads of the respective institution, the expenditure had been incurred from capital provisions which were available for public employment.

## **2.16 Operating Inefficiencies**

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The following observations are made.

- (a) Out of the total amount of Rs.601,568 spent for Vayamba Gemisariya Integrated Rural Development programme from January to June 2011 by the Ministry of Social Welfare, Probation and Child care, Women Affairs and Rural Development, 65% for foods, 19.6% for lecture fees and 15.4% for other travelling and drivers allowance had been spent.
- (b) Action had not been taken to pay a sum of Rs.556,008 recovered by courts and retained from October 2008 to December 2010 for the payment to officers who engaged in duties, by the Provincial Department of Co-operative Development.
- (c) Although the royalty recovered from the officers of the Provincial Department of Co-operative Development should be credited to the Government / Provincial Council Fund, the royalty of Rs.340,236 collected from 01 January 2005 to 31 May 2011 had not been credited to the Provincial Council Fund.
- (d) A sum of Rs.879,850 had been paid by the Provincial Ayurveda Department as course fees of the 17 Ayurvedic Doctors selected for post graduate degree courses during the period 2000 to 2010. As those Doctors had not submitted the relevant certificates even by August 2012, action had not been taken to recover the money back.
- (e) Even though it was planned to implement 603 projects during the year 2011 under the popularization of Ayurvedic medicine within the North Western Province, a progress report had not been prepared to show the progress as at the end of the year.
- (f) Despite the four Registered and Assistant Medical Practitioner attached to the 4 hospitals belonging to the office of the Puttalama Deputy Director of Health Services had been released with pay to participate in the subject related theoretical course held in Ragama Hospital, this course had not been conducted but a sum of Rs.1,128,864 had been paid to them as salaries and allowances for the period from 18 January 2010 to 05 May 2011 during which they had not reported for duties.

- (g) Forty one Nets valued at Rs.677,320 had been given to 17 and 24 beneficiaries in the Kurunegala and Puttalam Districts respectively by the North Western Province Ministry of Road Development, Electricity Housing and Construction and Fisheries under the programme for providing facilities to aqua culture planters implemented to facilitate livelihood of the people in the province. The officials could not be able to reveal the present position of the project.
- (h) Although it was reported that 18 official quarters from which rents are recovered and 41 official quarters utilized with rent existed, the Department of Agriculture had not assessed the official quarters and determined the rent and also entering in to rent agreement had not been updated, even by 20 March 2012.
- (i) As selecting the higher price in purchasing deep freezers in the Department of Animal Products and Health, an over payment of Rs.80,000 had been made for 50 freezers and the freezers had not been used for the relevant purpose even by 15 May 2012.
- (j) According to the decision of the Procurement Committee of the Department of Animal Products and Health, the motor vehicle bearing No.40-7371 had been handed over to a private garage on 10 July 2009 for repairs at Rs.444,940 without an agreement, and the period spent for taking over the vehicle back after being repaired on 27 November 2011 was 02 years and 04 months. The spare parts removed from the vehicle while being repaired had also not been taken over by the stores.
- (k) Contrary to the Provincial Financial Rule 471.1 goods to the value of Rs.2,014,025 relating to the provincial development projects for the year 2011 had not been posted to the stores records even by 13 February 2012 by the Anamaduwa Divisional Secretariat.
- (l) The Kuliyaipitiya Road Development Department had made a payment of Rs.181,450 for the purchase of tyres on 31 December 2011 but those tyres were not sent to the Department even by 30 January 2012.

- (m) As compared with the expenditure incurred on extermination of filaria, leprosy and leptostirofis amounting to Rs.153,945 in the year 2010,a sum of Rs,171,860 had been spent in the year 2011, Nevertheless, the number of patients had increased from 11, to 23,127 to 161 and 383 to 1456 respectively. Number of deaths occurred from leptostifofis had increased from 01 to 18.
- (n) After being pointed out that the purchase of 02 numbers of 04 pole contractors valued at Rs.169,000 had been irregular, an officer had been appointed to test it but the Provincial Department of Health Services had not submitted the test report up to now.
- (o) As a result of awarding contracts without obtaining sufficient guaranties, the Provincial Department of Education could not recover the loss of deficiencies existed in the supplies valued at Rs.12,981,947 or to return the relevant goods.
- (p) Although the Provincial Public Service Commission had scheduled to hold 41 examinations during the year under review according to the examinations time table, only 11 examinations were held and 30 were not held.
- (q) Scholarship burseries amounting to Rs.385,000 payable to 262 students in the Puttalam Education Zone for the year 2011 relating to the period from 01 month to 08 months had not been paid during the year under review.

## **2.17 Weaknesses in the School Administration**

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The following observations are made as per test checks.

- (a) Contrary to the Circular Nos.1982/02 dated 30 March 1982, No.1/2005 dated 03 February 2005, No.2008/35 dated 15 September 2008, No.2009/18 dated 26 May 2009 and 2010/21 dated 31 May 2010 of the Secretary to the Ministry of Education the value of transactions carried out by schools during the year under review amounted to Rs.2,513,247 and only one school had admitted 19 student in excess of the approved limit.

- (b) The institutions by which action had been taken in contrary to the Circular No.2003/38 dated 07 November 2003 of the Secretary to the Ministry of Human Resource Development, Education and Cultural Affairs are as follows.
- (i). Out of 636 teachers relating to 109 schools in the Ibbagamuwa Zonal Education Office 441 teachers had not taught their specific periods.
  - (ii). Three additional teachers had been retained in one school in the Puttalam Zonal Education Office.
  - (iii). Out of 570 periods of teachers relating to 07 classes in the Maho Gajanaggama School 352 periods had not been thought but there were 06 excess teachers.
  - (iv). Six teachers in 05 schools belonging to the Chillaw Education Zone had not been assigned duties from January 2010 to May 2011 but a sum of Rs.1,964,165 had been paid as salaries.
  - (v). Eighty four teachers in the Sir Jhon Kothalawala Maha Vidyalaya had been assigned to other activities for 324 periods per week which were not related to education.
  - (vi). Eventhough the period of teaching for a week by 30 teachers in the Medamulla De Mal Navodya Vidyalaya amounted to 945, time tables had not been given for 326 periods.
  - (vii). Fifty eight Teaching Instructors attached to the Puttalam Zonal Education Office had not offered their services to schools at remote areas belonging to the Regional Offices.
  - (viii). Without the approval of the North Western Province Director of Education, sums of Rs.1,809,905 and Rs.110,000 had been collected by the Sir Jhon Kothalawala Vidyalaya and Medumulla De Mel Vidyalaya respectively.
  - (ix). Out of 169 schools situated in the Kuliypitiya Education Region, number of schools in which student population was at 0-100 level amounted to 60.
  - (x). The computer room of the Malangane Saraswathi Vidyalaya had covered with dust and it was observed that seeping water in side the school in rainy days.



- (xi). Four teachers in the Medamulla De Mel Navodya School had obtained 148 days leave without approval.
- (xii). Number of teachers in the Nikaweratiya Education Zone whose results were not confirmed and who had failed mathematics in GCE(O/L) amounted to 222.
- (c) In terms of Circular Nos.2006/20 and No.2008/21 number of students to be admitted to grades 2-5 and 6-11 should be limited to 40 and 45 respectively. Nevertheless the Sir John Kothalawala Maha Vidyalaya, Kurnegala had admitted 237 students in excess of the approved limit by 22 June 2011 to 40 classes and the Ibbagamuwa Medamulla De Mel Vidyalaya had admitted 107 students to 17 classes in excess of the approved limit as at 20 November 2011.
- (d) Contrary to the promrement guidelines and without obtaining any approval 4 constructions and repairs valued at Rs.1,466,705 had been carried out by an outside party in the Kurunegala Sir John Kothalawala Maha Vidyalaya by collecting money from external persons.

## **2.18 Implementation of the Recommendations made by the Provincial Committee on Accounts**

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In terms of paragraph 4.2 minutes of the meeting of the Provincial Committee on Accounts dated 29 November 2011, the authority to charge economic rent relating to recover the house rent should be given by the Secretary to the Ministry himself and if should also be limited only to one year. However, the office of the District Director of Health Services had not complied with that.

## 2.19 Performance

### 2.19.1 Government Grants

Particulars of provisions received and expenditure incurred on Provincial Council Development proposals are given below.

Source	Provision	Expenditure	Underutilization
	Rs.	Rs.	Rs.
(i). Criteria based grants	330,000,000	287,380,270	42,619,730
(ii). Provincial specific development grants	1,575,000,000	1,339,492,691	235,507,309
(iii). Collective grants	16,855,436,000	16,551,642,819	303,793,181
(iv). Other grants	244,000,000	118,429,848	125,570,152

### 2.19.2 Provincial Development Plan

According to the Provincial Development Plan for the year under review, 4886 new and contineous work proposals valued at Rs.1,754,150,000 had been approved. The progress of those work proposals is given in the following table.

	New works	Contineous Works	Total Work Proposals
(a). Completed in full	4795	62	4857
(b). Completed less than 50%	-	-	-
(c). Completed more than 50%	17	-	17
(d). Not commenced	12	-	12
Total	4824	62	4886

### **2.19.3 Objectives not adequately fulfilled**

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Instances of institutional objectives not performed at all or not performed adequately are given below.

- (a) Out of the 12 roads planned for the development in the year 2011 in Puttalam District, 9 roads planned to be developed by incurring an expenditure of Rs.6,300,000 had been given up from developing due to various reasons. Instead, the Chief Ministry had included only 04 new roads in the development programme of Puttalam District.
- (b) Out a provision of Rs.100,000 made under the students - teachers delight programme in the North Western Province by the Chief Ministry in the year 2011, provision for Puttalam District had not been made.
- (c) A sum of Rs.3,300,000 had been provided by the Chief Ministry relating to the year 2011 to develop a distance of 3.95 km in 07 roads, and a distance of only 1.9 km had been developed by incurring an expenditure of Rs.3,006,354.
- (d) Of the grant amounting to Rs.2,000,000 given by the Line Ministry on 15 November 2010 for the renovation of rice processing centre belonging to the Kobeigane Multi-purpose Co-operative Society, a sum of Rs.1,600,000 had been retained in the general deposit account even by 01 December 2011 without being utilized for the relevant purpose.
- (e) A sum of Rs.1,000,000 had been given by the Line Ministry to the Provincial Department of Co-operative Development for the establishment of 05 milk bars in 05 central government schools on 25 November 2010. This had not been completed even by 01 December 2011, the date of audit.
- (f) The audit staff who carries out audit in Co-operative Societies of the Provincial Department of Co-operative Development had 44 vacancies by the end of the year 2011 and as such the performance of targeted audits in the year 2011 and preparation of audit reports had shown only 71% and 62% respectively.

- (g) The North Western Province Ministry of Road Development, Electricity, Housing and Constructions and Fisheries had commenced a Project for growing mangrove plants in the year 2011 in concurrence with the Dayata Sewana National Tree Plantation Programme. A sum of Rs.300,000 had been paid at Rs.50,000 per school to 06 selected schools to grow and maintain 1500 mangrove plants by one school without entering into agreements in lagoon related areas. The six schools should have grown 9000 plants related to the project, but the plants physically grown as at 31 March 2010 had been only 3545.
- (h) Although the provision of Rs.4,005,610 had been received by the Provincial Department of Education during the year 2011 to purchase 3411 units of teachers chairs, teachers tables, children’s chairs and tables and infants chairs and tables and distribute among 62 schools, only 90 children’s tables and 90 children’s chairs had been distributed by 31 December 2011

## 2.20 Contract Administration

### 2.20.1 Delays in Projects / Schemes

Long delays were observed in the implementation of the following projects / schemes in the Chief Ministry.

Project / Scheme	Estimated Cost	Date of Commencement	Targeted date of Completion	Expenditure Incurred up to 31 Dec 2011	Reason for Delay
20x20 O/L Laboratory at Kalkaduwala Junior School	1,421,000	-	-	748,848	Contractors delay and delay in receiving imprest
60x20 A/L Libratory at Dankotuwa Girl’s School	4,860,603	30.08.2011	30.11.2011	1,378,722	Cancellation of agreement due to contractor’s inefficiency and awarding contract to another person
Sisuseriya documentary short film	785,746	-	-	-	Difficulty in selecting a suitable Director

## 2.20.2 Projects / Schemes Completely Abandoned

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The estimated amount for the construction of toilets in 08 schools was Rs.1,016,066 and a sum of Rs.600,000 had been allocated in the year 2011 and the balance should have been born by the School Development Societies. However, the projects had not been implemented due to lack of financial viability of those societies.

## 2.21 Audit and Management Committee

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Following matters are observed  
Ministries and Departments which had not established Audit and Management Committees and not holding meetings to improve the financial prudence and financial management of the Provincial Council are given below.

Institute	Observations
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➤ Provincial Internal Audit - Departments	Audit and Management Committees had not been established.
➤ Provincial Departments of Co- operative Developments	Only one meeting was held for the year 2011
➤ Provincial Ayurveda Departments	2 meetings were held
➤ Ministry of Health Indigenou Medicine, Sports, and Youth Affairs	Only one committee meeting was held.

## 03. Systems and Controls

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Special attention is needed in respect of the following areas of control.

- (a). Internal audit
- (b). Accounting and revenue control
- (c). Assets and human resource management
- (d). Contracts
- (e). Implementation of projects
- (f). Financial and operating control of the institutions established under statutes
- (g). Utilization of vehicles