

Western Provincial Council

1. Financial Statements

1:1 Audit Opinion

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 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 matters referred to Paragraph 2:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Western Provincial Council as at 31 December 2011 and the financial results of its operation for the year then ended.

1:2 Presentation of Financial Statement to Audit

(a) Provincial Council Fund Account

The Provincial Council Fund Account of the year under review had been presented to audit on 14 March 2012.

(b) Other Accounts

The position relating to presentation of other accounts of the Provincial Council as at 31 March 2012 is shown below.

		<u>For the year 2011</u>			
		Total Number of Accounts	Number of Accounts presented	Number of accounts not presented	Number of accounts not presented relating to the previous years
		-----	-----	-----	-----
(i)	Appropriation Accounts	26	26	--	--
(ii)	Revenue Accounts	30	30	--	--
(iii)	Advances to Provincial Council Officers Account	46	46	--	--
(iv)	Commercial Advance Accounts	02	02	--	--
(v)	Other Advance Accounts	05	05	--	--
(vi)	Fund Accounts	06	06	--	--
(vii)	Enactment Accounts	08	04	04	02

1:2 : 1 Tabling of Reports of the Auditor General

The position of tabling of reports of the Auditor General of the preceding years before the Provincial Council in terms of provisions in Section 23(2) of the Provincial Councils Act No. 42 of 1987, is shown below.

Year	Date of furnishing Report	Date of Tabling
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2008	10.12.2009	09.02.2010
2009	26.10.2010	Not tabled
2010	16.01.2012	22.05.2012

1:3 Comments on Financial Statements

1:3:1 Management of Provisions

The following observations are made.

- (a) The entire net provision of Rs.1,041,076 under 13 items of expenditure of 6 Heads of Ministries and Departments remained unspent.
- (b) Liabilities exceeding the provision by Rs.65,315,845 had been committed under 116 Objects in 13 Heads of Ministries and Departments.
- (c) There were 14 instances where the reduction of provision of Objects of 05 Heads had again been increased.

1:3:2 Imprest Accounts

The unsettled balances of imprest relating to the Department of Health as at 31 December 2012 amounted to Rs.207,844,706. This included a sum of Rs.117,232,054 relating to the year under review and a sum of Rs.90,612,652 relating to the previous years.

1:3:3 Unsettled General Deposits

The credit balance of the Provincial Treasury Deposit Account as at 31 December 2012 amounted to Rs.685,740,786. The balances of deposits of 06 institutions exceeding 2 years on which action had not been taken in terms of Financial Regulation 571 aggregated Rs.1,617,464.

1:3:4 Advances to Provincial Council Officers

Balances remaining unrecovered for a long period amounting to Rs.136,762,637 were observed. These consisted of balances aggregating Rs.114,466,074 due from officers who had gone on transfers in 15 Ministries and Departments, balances aggregating Rs.10,585,257 due from deceased and retired officers, balances aggregating Rs.11,641,564 due from officers who had vacated posts and who were interdicted and balances amounting to Rs.69,742 due from an ex-member of the Provincial Council.

1:3:5 Unreconciled Accounts

Differences amounting to Rs.802,469,812 were observed between the accounts furnished by each department and the Provincial Council Fund Account (Provincial Treasury Books). Details appear below.

Description of Accounts	Balance as per accounts of each department	Balance as per Provincial Council Fund Account	Difference
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	Rs.	Rs.	Rs.
27 Imprest Accounts	32,639,501	782,621,409	749,981,908
05 General Deposit Accounts	8,577,358	11,585,610	3,008,252
10 Advances to Provincial Council Officers' Accounts	289,819,694	295,396,327	5,576,633
04 Other Advance Accounts	213,334,590	196,693,104	16,641,486
12 Remittance Accounts	4,155,638	28,389,772	24,234,134
07 Revenue Accounts	371,323,994	374,351,393	3,027,399

			802,469,812
			=====

1:3:6 Lack of Evidence for Audit

Unreplied Audit Queries

Replies for 21 audit queries of 2011 and 08 queries of previous years had not been furnished as at 31 March 2012.

1:3:7 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----
(a) Section 102(a) of the Finance Precept of the Western Province No. 06 of 1990 as amended by the Finance Precept of the Provincial Council No. 05 of 1991.	Incentive had been paid from the provisions for Expenditure Heads without creating a Fund for payment of incentive for officers / employees of the Department of Provincial Revenue.
(b) Financial Regulation 1646	Daily running charts had not been prepared for 11 vehicles belonging to 03 institutions of the Provincial Council.
(c) Public Administration Circular No. 30/2008 dated 31 December 2008	There were instances where the maximum payment of distress loans of Rs.250,000 entitled for an officer had exceeded.
(d) Paragraph 1.2 of the Public Administration Circular No. 22/99 dated 08 October 1999.	Official vehicles had been allocated to officers of the Road Passenger Transport Authority who were not entitled for it.
(e) Financial Rules 455.2 of the Western Province.	Sixteen items of goods valued at Rs.1,442,872 purchased by the Department of Probation and Childcare Services had not been entered in the books at the stores.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the surplus of Provincial Council Fund as at 31 December 2011 amounted to Rs.3,918,439,938 as compared with the surplus of Rs.1,080,890,676 in the previous year

2:2 Income and Expenditure

According to the financial statements presented, a summary of the budgeted and actual income and expenditure for the year under review and the previous year together with the variances is given below.

Revenue

Income relating to items of the Provincial Council	Budgeted	<u>2011</u>		Budgeted	<u>2010</u>	
		Actual	Variance		Actual	Variance
Tax Revenue	19,952,560,000	21,669,946,772	(1,717,386,772)	21,104,800,000	19,488,605,804	1,616,194,196
Non-tax Revenue	1,855,488,000	2,847,472,906	(991,984,906)	2,364,326,000	3,252,368,241	(888,042,241)
Government Grants	12,477,202,000	11,019,116,367	1,458,085,633	6,304,007,000	6,100,000,000	204,007,000
Total	34,285,250,000	35,536,536,045	(1,251,286,045)	29,773,133,000	28,840,974,045	932,158,955

Expenditure

Expenditure	<u>2011</u>			<u>2010</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
-----	-----	-----	-----	-----	-----	-----
Personal Emoluments	19,817,031,248	19,100,569,969	716,461,279	17,456,239,180	17,300,622,747	155,616,433
Others	11,351,634,419	9,515,671,923	1,835,962,496	11,265,370,913	10,374,668,390	890,702,523
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Recurrent	31,168,665,667	28,616,241,892	2,552,423,775	28,721,610,093	27,675,291,137	1,046,318,956
Capital	3,577,020,333	3,001,854,215	575,166,118	4,391,106,907	3,120,036,986	1,271,069,921
-----	-----	-----	-----	-----	-----	-----
Total	34,745,686,000	31,618,096,107	3,127,589,893	33,112,717,000	30,795,328,123	2,317,388,877
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The ratio of recurrent and capital expenditure of the year under review was 10:1.

2:3 Revenue Administration

The information relating to arrears of revenue as at the end of the year under review and as at the end of the nearest preceding 2 years shown below.

	2011	2010	2009
	-----	-----	-----
	Rs.	Rs.	Rs.
Tax Revenue	1,426,690,111	1,897,917,733	1,272,584,733
Non Tax Revenue	1,248,958,145	1,086,708,932	857,656,300
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	2,675,648,256	2,984,626,665	2,130,241,033
	=====	=====	=====

2:4 Financial Control

The following observations were made with regard to the maintenance of bank accounts.

- (a) Delays in the preparations of bank reconciliation statements were observed with regard to 06 bank accounts of 02 institutions.
- (b) Action had not been taken in terms of Financial Regulation 396 with regard to 53 cheques aggregating Rs.154,954 pertaining to 09 current accounts of 04 institutions remaining unrepresented for payments for over 06 months.
- (c) There were unidentified debits of Rs.23,970 and credits of Rs.44,424 pertaining to 03 bank accounts of 01 institution.

2:5 Human Resources Management

2:5:1 Approved and Actual Cadre

The particulars relating to the approved and actual cadre of the Provincial Council as at 31 December 2011 appear below.

(a) Ministries, Departments and Institutions of the Provincial Council

	Approved	Actual	Vacancies
	-----	-----	-----
Senior	2,170	2,053	117
Tertiary	829	656	173
Secondary	8,580	7,669	911
Primary	4,770	4,552	218
	-----	-----	-----
Total	16,349	14,930	1,419
	=====	=====	=====

(b) Staff of Schools

	Approved	Actual	Vacancies	Excess
	-----	-----	-----	-----
Principals and Teachers	34,736	32,882	1,854	--
Minor Employees	2,998	3,059	--	61
Supporting Staff	961	29	932	--
	-----	-----	-----	-----
Total	38,695	35,970	2,786	61
	=====	=====	=====	=====

The following observations are made.

- (i) Significant number of retired officers belonging to various posts including posts in higher management ranks of Ministries and Departments of the Provincial Council had again been employed on contract basis with the approval of the Governor/ Provincial Ministers of Cabinet and continuous acting appointments had been made to vacancies in higher grades.
- (ii) The posts of Accountants do not exist in the approved cadre of the offices of Assistant Commissioners of Local Government in Colombo, Gampaha and Kalutara. However, appointments had been made to cover up duties/ to act in the posts with the approval of the Governor from the year 2002. Allowances aggregating Rs.126,000 had been paid at the rate of Rs.3,500 per month during the year 2011.
- (iii) A fisheries inspector of the Department of Fisheries and Aquatic Resources of the Central Government had been attached to the Provincial Ministry of Road Development, Animal Production and Development, Housing and Constructions and Fisheries and Tourism on a temporary basis from October 2005 and only a travelling allowance of Rs.2,000 per month had been paid to her.

2:6 Assets Management

2:6:1 Accounts Receivable

The revenue collected from road licences by the Road Passenger Transport Authority in 2004 and 2005 was Rs.31,878,082. This had not been remitted to the Provincial Ministry concerned even by May 2012 to be credited to the Provincial Council Fund.

2:7 Vehicle Utilization

A double cab belonging to the office of the Assistant Commissioner of Local Government, Kalutara had been sent to the Mechanical Engineer at Ratmalana in March 2011 for repairs on an estimate of Rs.877,700, but, action had not been taken to complete repairs and to get it back.

2:8 Uneconomic Transactions

The following deficiencies were observed.

- (a) An awareness seminar had been organized on 21 April 2011 to the people's representatives appointed to local authorities on the results of the Local Government Elections in 2011. Five hundred and sixty four people's representatives participated in it and an expenditure of Rs.1,297,200 had been incurred on had entertainment. However, 195 people's representatives had not participated in the seminar and as such the expenditure of Rs. 448,500 at the rate of Rs.2,300 per head had become uneconomic.
- (b) It was expected to utilize 450 acres of government lands belonging to 03 divisions of Divisional Secretariats of Colombo District for a Bio Diversity Garden Project named as "Barawa". During the years 2009 to August 2012, a sum of Rs.9,164,303 had been spent for varies purposes in this connection. However, during the month of February 2011, the Land Commissioner decided to cancel the release of land and to take over the tenure of lands. Control of floods, upliftment of the living standards of the residents, ensuring envirmetal friendly lively hood preservation of hereditary knowledge and cultural heritage, promoting cultivations by using carbonic fertilizers and tourist attractions had been the objectives, but, the project could not be implemented.

2:9 Transactions of Contentious Nature

The duties entrusted to the Chief Minister by the annual financial statements from the inception of the Provincial Council, such as, finance and planning, law and order, provincial administration and economic development had been vested to the Chief Secretary in May 2009 on the approval of the Governor. Holding the cabinet meetings and issue of cabinet papers belonging to the scope of the Secretary to the Chief Minister had been entrusted to the Chief Secretary. It was thus observed that as the Chief Secretary represents the Provincial Committee on Public Accounts as the Secretary of the Provincial Treasury, arranging cabinet meetings and signing cabinet papers had become contentious.

2:10 Operating Inefficiencies

The following observations are made.

- (a) A computer network enabling to obtain the annual revenue licence of a motor vehicle from any of the Divisional Secretariat within the Western Province was commenced in 2006. However, the head office at Maligawatta, the Department of Motor Traffic at Narahenpita and 03 Divisional Secretariats alone had completed this activity by the end of July 2012.
- (b) The annual revenue licences issued on 02 days subjected to test checks revealed that out of the Smoke Emission Certificates obtained for 177 vehicles, there were fake certificates in respect of 84 vehicles.
- (c) As an officer recruited for the post of Inspector of Co-operative Societies 11 “B” in September 1994 had no minimum qualifications, an officer was entrusted to conduct a preliminary inquiry regarding this matter in August 2000. However, a follow up action had not been taken in this regard and as such necessary recommendations could not be obtained. As a result action to be taken with regard to the officer concerned had been delayed till September 2011.
- (d) The National Transport Commission had acquired the management of passenger terminal at Bastian Mawatha from the Road Passenger Transport Authority and the National Transport Commission had obtained an income of Rs.7,067,359 from admission tickets in 2011. However, during the year 2011 an expenditure of Rs.12,594,476 had been incurred on employees of the Road Passenger Transport Authority.
- (e) While a lady teacher in Grade I of the Sri Lanka Teachers’ Service, had furnished forged information for her post and period of service in order to apply for the Professional Skills Development Course of the Peradeniya National Education Faculty, she had been appointed to cover up duties of the Assistant Director of Education (Buddhism) from 09 September 2008 and the Assistant Director of Education (Primary) from 24 November 2010.

- (f) A programme named as “Supasan Nimthera” had been commenced and a sum of Rs.2,167,540 had been spent in 2010 and 2011 for the training programme in order to prepare its mechanism and a sum of Rs.2,466,527 had been spent in 2011 for the programme on capacity building of the unemployed graduates in this regard.

The following matters were observed.

- (i) A person who participated as a resource person at the training programme had been paid Rs.225,000 at the rate of Rs.75,000 per day for 03 days and a sum of Rs.600,000 had been paid for 08 days in the year 2011.
- (ii) The objectives of this Programme were to refer unemployed graduates to employment opportunities, to create employment opportunities in collaboration with the Provincial Public Service Commission of the Western Province, to promote the knowledge, attitude and skills of unemployed graduates for an effective and efficient public service. However, it was observed that a specific work programme had not been carried out in this regard.
- (iii) The officer who voluntarily worked for this programme had been replaced by a retired officer on contract basis in August 2010 at the rate of Rs.10,000 per month and the amount paid up to December 2011 was Rs.160,000.

2:11 Performance

2:11:1 Government Grants

Details of the provision received and the expenditure incurred on Provincial Council Development work proposals appear below.

Source	Provision received	Expenditure	Underutilization under/ (over)
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	Rs.	Rs.	Rs.
(i) Criteria Based Grants	660,000,000	688,305,872	(28,305,872)
(ii) Provincial Specific Development Grants	1,231,250,000	1,220,118,003	11,131,997
(iii) Collective Grants	103,500,000	93,622,968	9,877,032
(iv) Other Grants			
World Bank Aid - Education	94,312,000	81,523,487	12,788,513

2:11:2 Provincial Development Plan

Six thousand nine hundred and eighty eight new work and continued work proposals under the Provincial Development Plan for the year under review at an estimated value of Rs.3,239.45 million had been approved. The progress of the work proposals as per progress reports of the Provincial Council appear in the following table.

	New Work	Continued Work	Total number of work proposals
-----	-----	-----	-----
(a) Fully completed	5,984	699	6,683
(b) Less than 50% completed	83	23	106
(c) More than 50% completed	106	04	110
(d) Not commenced	85	02	87
(e) Of contentious/ questionable nature	02	--	02
	-----	-----	-----
	6,260	728	6,988
	=====	=====	=====

The following observations are made.

- (a) A sum of Rs.16,648,539 had been approved under 10 Projects for the Department of Local Government in respect of the Udugalakanda Special Project of the authoritative area of the Bulathsinhala Pradeshiya Sabha under the 2010 Provincial Development Programme (Supplementary Estimate 11). Of these, 09 projects had continued to the year 2011. Three Road Reconstruction Projects valued at Rs.14,445,699 had been operated under this. It was revealed at a laboratory test that the concrete sprayed in 3 projects had been without standard compression and the concrete layers were not in to the expected thicknesses.
- (b) A sum of Rs.9,512,887 had been spent in 2011 to repair and newly construct the mud ponds, water tanks and the livestock insemination centre of the Sri Lanka National Aquaculture Development Centre which had been temporarily vested in the Ministry of Western Provincial Road Development, Animal Production and Development, Housing and Construction and Fisheries and Tourism in the month of July 2011. However, it was reported that instead of utilizing it for activities connected with the laboratory and the breeding centre, it had been decided to utilize it as an auditorium.
- (c) Significant number of instances were observed where provision had been made under the Criteria Based and Provincial Specific Development Grant Projects of the Provincial Development Plan for expenditure of capital nature for which provision could be made by the annual financial statements.

2:11:3 Activities Contravening the Objectives

The following observations are made.

- (a) During the year 2010, a sum of Rs.300,000 had been obtained from the government to uplift the standard of a Children's Development Programme Centre which was observed to be at a low level during a competition. This amount had not been utilized for its development and part of this amount had been gifted among the employees of 09 centres for which it was decided to distribute gifts as their standards were high during 2011.

- (b) A sum of Rs.60,000 received from a private institution and an individual for welfare activities of the children at the Children’s Development Centres had been utilized for welfare activities of the employees of the Department.

2:12 Supervision of the Activities of Local Authorities

The following observations are made.

- (a) In terms of Section 4.2 of the 09th Schedule of the 13th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka, the supervision of Local Authorities lies with the Provincial Councils. However, a proper procedure had not been adopted with regard to the supervision of Local Authorities. The matters revealed at the audit of accounts of the local authorities had been brought to the notice of the Heads of Local Authorities. Further, instances where the Auditor General had disclaimed the audit opinion for 04 recent years including the year under review appear below.

Year -----	No. of Local Authorities (Financial Statements) Audited -----	No. of Local Authorities where audit opinion were disclaimed -----
2007	48	22
2008	48	22
2009	48	22
2010	48	13
2011	48	20

- (b) According to the information furnished as at 31 December 2011, the arrears of revenue of 48 local authorities amounted to Rs.6,546,067,697.
- (c) The value of surcharges recoverable as at 31 December 2011 amounted to Rs.29,737,305 as per surcharges imposed by the Auditor General against officers/ other persons of 12 local authorities.
- (d) Adequate internal audit had not been carried out/ maintained by local authorities.

2:13 Internal Audit

The Internal Audit Programme of the Provincial Council had not been furnished to audit.

2:14 Corporate Plan

A Corporate Plan for the ensuing years, commencing from 2011, had not been prepared.

2:15 Action Plan

An Action Plan for the Provincial Council for the year under review had not been prepared.

2:16 Audit and Management Committees

During the year under review, only one meeting of the Audit and Management Committee was held.

03. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Provincial Council Development Plan
- (d) Internal Audit
- (e) Supervision of Local Authorities
- (f) Staff