

North Western Provincial Council - 2014

The audit of financial statements of the North Western Provincial Council for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23(1) of the Provincial Councils Act, No. 42 of 1987. This report is issued in terms of Section 23(2) of the Provincial Councils Act.

1:2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Provincial Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1:4 Basis for Qualified Audit Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the North Western Provincial Council as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Provincial Council Fund

The financial statements of the Provincial Council for the year ended 31 December 2014 had been presented for audit on 25 March 2015.

2.2.2 Other Accounts

(a) Revenue Accounts

According to the Provincial Financial Rules, the Accounting Officers to whom statutory powers relating to revenue had been given should prepare their Revenue Accounts and forward them to the Auditor General. However, 21 accounts relating to Revenue Codes of the Provincial Council for the year under review had been furnished for audit on 04 June 2015.

(b) Other Accounts including Appropriation Accounts

The progress relating to presentation of accounts for the year under review as at 31 March 2015 appears below.

Name of the Account	For the year 2014			
	Total No. of Accounts	No. of Accounts Furnished	No. of Accounts Not Furnished	No. of Accounts of Pervious year not Furnished
(i) Appropriation Accounts	26	26	-	-
(ii) Advance to Provincial Public Officers' Account	73	52	21	168
(iii) Loan Facilities to Provincial Council members Advance Account	01	01	-	-
(iv) Commercial Advance Accounts	07	04	03	-
(v) Fund and Statute Accounts	14	13	01	15
Total	121	96	25	183

2.2.3 Accounting Deficiencies

Liabilities of the Chief Secretary's Office belonging to the North Western Provincial Council and the Public Service Commission aggregating Rs.140,389,981 had not been entirely disclosed in the financial statements. Liabilities of 4 departments, 2 ministries and the Chief Secretary's Office aggregating Rs.5,136,682 had been understated. Meanwhile, 5 departments had committed expenditure exceeding the provision which aggregated Rs.70,331,958.

2.2.4 Unreconciled Control Accounts

The following observations are made.

- (a) Differences aggregating Rs.4,349,276 existed between the summary of classification of individual balances of the Advance 'B' Account prepared for the year under review by the Provincial Department of Education and 2 ministries and the Departmental Control Accounts.
- (b) A difference of Rs.17,233,929 existed between the Treasury books and the departmental books with reference to the General Deposit Accounts of the Provincial Department of Health Services, Department of Provincial Engineers, Ministry of Agriculture and the Department of Animal Production and Health. Meanwhile, a difference of Rs.22,250,744 existed between the Treasury books and the departmental books of Advance to Public Officers of the Provincial Ministry of Health, Indigenous Medicine, Sports and youth Activities, Provincial Department of Health Services (2013), Department of Engineers, and the Provincial Policy Department of Planning and Implementation.
- (c) Differences aggregating Rs.2,337,990 existed between the CC 10 Register and the Advances 'B' Account of 4 departments.
- (d) A difference of Rs.3,240,324 existed between the departmental books and the departmental control account with reference to the Advances 'B' Account of the Provincial Department of Education and the Provincial Ministry of Road Development, Transport, Electricity and Housing Construction.
- (e) The debtors' balance of the Ibbagamuwa Zonal Education Office for the year under review as per schedule furnished with the accounts was Rs.2,617,472. However, the amount shown in the reconciliation statement was Rs.3,355,263. As such, a difference of Rs.737,791 was observed between the debtors' balances.

2.2.5 Accounts Receivable and Payable

(a) Accounts Receivable

The arrears of revenue due to the Provincial Council from 8 Divisional Secretariats and Nikaweratiya Base Hospital for over 1 year amounted to Rs.6,761,330 as at end of the year under review.

(b) Imprest Accounts

The balances of unsettled imprests to the Provincial Treasury by the Provincial Council Office, 2 departments and a Divisional Secretariat as at end of the year under review aggregated Rs.10,713,642.

(c) General Deposit Accounts

Action had not been taken in terms of Financial Regulation 571 with regard to deposits over 2 years totally valued at Rs.11,572,506 as at end of the year under review with reference to the Chief Secretary's Office, Council Secretariat, 2 Provincial Ministries, 6 departments and 4 Divisional Secretariats.

(d) Staff Loans Recoverable

The balances of unsettled loans relating to those who had been transferred, died or vacated posts and for other reasons with reference to 5 Provincial Ministries, 13 Departments, 2 Divisional Secretariats, Chief Secretary's Office, Council Secretary's' office and the Public Service Commission aggregated Rs.99,765,155.

2.2.6 Lack of Evidence for Audit

The following observations are made.

- (a) A sum of Rs.160,848 had been spent for 1,225 litres of fuel for 2 grass cutting machines and for the generator at the Mawatagame District Hospital. However, details of fuel used and a register containing details of working hours were not available. As a result, the correctness of fuel consumed had not been confirmed in audit.
- (b) The daily running charts and monthly summaries of a vehicle of the office of the Director of Health Services, Puttalam had not been furnished for audit. As a result, adequate examination could not be carried out with regard to the distance of 15336 kilometers said to have been performed on official travel.
- (c) Nine paid vouchers valued at Rs.572,265 had not been furnished for audit by the Anamaduwa Divisional Secretariat.

- (d) A sum of Rs.112,743 had been paid from the School Development Society Account without necessary bills and any other registers to confirm payments on 17 instances at the Poramadale Maha Vidyalaya.

2.2.7 Non-compliance with Laws, Rules, Regulations and Management Divisions

Instances of non compliance with laws, rules, regulations and management decisions observed at audit sample checks appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
<p>(a) <u>Acts</u> Section 3.5 of the Registration of Private Medical Institutions Act No.21 of 2006</p>	<p>Fifty per cent of the collections of the Director of Provincial Health Services amounting to Rs.5,600,000 should have been remitted to the Provincial Council. However, instead of not doing so, out of this amount a sum of Rs.3,610,685 had been credited to the Special Account of the Provincial Director of Health Services.</p>
<p>(b) North Western Province Financial Rules</p>	
<p>(i) P.F.E 29.4(0)</p>	<p>Although transfer of savings from supplementary provision is prohibited, the Provincial Department of Ayurveda had transferred supplementary provision amounting Rs.3,516,000 on 2 occasions.</p>
<p>(ii) P.F.R 76.2.9</p>	<p>A sum of Rs.240,000 had been paid as supervising allowances by the Ministry of Social Welfare to 2 supervising members appointed by the North Western Provincial Council although no reports had been furnished to state that they had been engaged in supervising activities.</p>

- (iii) P.F.R 164(b) Thirty eight cheques drawn by certifying vouchers valued at Rs.28,005,174 by the Provincial Department of Health Services as at end of the year under review had been retained till the goods were received, that is, even by 6 March 2015.
- (iv) P.F.R 261 The Provincial Department of Education had granted advances amounting to Rs.8,062,884 to officers during the year 2014 for various activities. The bills furnished for settling advances were valued at Rs.6,014,180. Accordingly, the advances paid in excess of the requirement of officers was Rs. 2,040,704 and it was 25 per cent of the total advances. Similarly, the cash remaining out of the advances of Rs.1,650,500 granted to 30 officers ranged between 24 to 84 per cent of the advances granted.
- (v) P.F.R 261.2.2 Although it had been informed that no more ad hoc imprests should be given to the officer till he settles his previous advances, advances amounting to Rs.4,765,325 had been paid to 16 officers of the of the Provincial Department of Education and advances amounting to Rs.344,250 had been paid to 8 officers of the Nikaweratiya Zonal Office before settling their previous advances.
- (vi) P.F.R 476 The board of survey activities for the year under review were to be carried out as at 31 December 2014. But, the board of survey activities had not been completed as at that date in 4 departments, 1 ministry and a Divisional Secretariat.

(c) Circulars

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- (i) Letters of the Secretary to the President No. CA/09/NSCC/General dated 7 October 2010 and No. P.C.M.D/1/4/23/1/14 dated 20 August 2012. The salary scales of higher posts pertaining to the office of the council Secretary were higher than the salary scales entitled for similar posts in public service and the approval of the National Salaries and Cadre Commission had not been obtained in this regard. This salary increase had been made on recommendations of the consulting committee appointed by the Provincial Council.
- (ii) Circular of the Secretary to the Ministry of Health No.SFA/01/2012 dated 01 January 2013 Whenever overtime and extra allowances are paid exceeding the basic salary, payments could only be made within the limits of the said provision. However, the office of the Director of Health Services, Puttalam had incurred an expenditure of Rs.2,002,030 on behalf of overtime and extra allowances exceeding the provision.
- (iii) Circular of the Secretary (Line) to the Ministry of Local Government No. 1/2001 dated 28 March 2001 The Secretariat of the North Western Provincial Council had increased the loan limits applicable to a Member of the Provincial Council from Rs.250,000 to Rs.500,000 on a decision made at the 5th Provincial Council No.5/1/M/2009/2 dated 2 March 2009.
- (iv) Finance Commission circular No.FC/1/3/2014 dated 06 January 2014 The Ministry of Social Welfare had purchased office equipment and library books valued at Rs.1,439,710 by utilizing the provision allocated for Buildings and constructions Object under the Provincial specific Development Project.
- (v) Letter of the North Western Director of Education No. N.W/Ed/සෞ.පී dated 13 December 2013 Although it had been informed that the approved quantity of fuel for a month for the Zonal Education Office was 400 litres, 1510 litres of fuel had been obtained in excess by the Zonal Education Offices at Nikaweratiya, Ibbagamuwa and Giriulla during the year 2014.

2.2.8 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) A vehicle of the pool had been utilized for the transport of the former Provincial Director of Health Services and the present Acting Director of Health Services and 9352 litres of extra fuel valued at Rs.1,117,590 had been utilized during the period October 2012 to December 2014 exceeding the approved limit of 140 litres for that vehicle.
- (b) According to the National Budget Circular No. 1/2014 dated 01 January 2014 of the Secretary to the Ministry of Finance and Policy Planning, officers who are entitled for usage of vehicle could utilize one of the two alternatives, that is, either to obtain transport allowances or to obtain a vehicle from the Institution. However, the former Director of Health Services of the Provincial Office of the Director of Health Services as well as the present Acting Director of Health Services had received supply of fuel from the department exceeding their limit applicable for the post apart from using a pool vehicle. Accordingly, monthly fuel allowances totalling Rs.891,892 had also been obtained from 2011 to 2014.
- (c) There is no provision in any circulars to pay fuel allowances to those who serve as Supervising Members. However, fuel allowances of Rs.240,000 at the rate of Rs.10,000 per month had been paid to 2 members of the North Western Provincial Council for the period January to December 2014 for serving as Superivising Members of the Provincial Ministries of North Western Health, Indigenous Medicine, Sports and Youth Affairs.

3. Revenue Administration

The estimated revenue under each Revenue Code of the Provincial Council for the year under review and the previous year compared with those of the actual revenue is shown below.

Revenue Code No	Revenue Details	2014		2013	
		Estimated Revenue	Actual Revenue	Estimated Revenue	Actual Revenue
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		Rs.(Mm)	Rs.(Mm)	Rs.(Mm)	Rs.(Mm)
10.02, 10.03	Production and Expenditure Tax	5,153.00	5,036.40	4,941.00	4,007.15
20.02	Lease Rent Interest, Profit and Dividend	252.00	184.67	203.00	233.29
20.03	Sales and Fees	623.00	486.78	447.00	461.11
20.06	Sale of Capital Goods	27.00	11.77	2.00	0.24
	Total	6,055.00	5,719.62	5,593.00	4,701.79
		=====	=====	=====	=====

The following observations are made.

- (a) Revenue amounting to Rs.469,586 had been recovered less from 3 Divisional Secretariats during the year under review.
- (b) Court fines amounting to Rs.26,695,655 and stamp fees amounting to Rs.113,632,141 received on behalf of local authorities during the year under review had not been remitted to the local authorities concerned. However, the Chief Secretary of the North Western Provincial Council by his reply dated 25 August 2015 had informed that this amount had been released by now.
- (c) The balances of arrears of revenue pertaining to turnover tax, stamp fees due on vesting of properties and tax due to the Land Commissioner from 46 Divisional Secretariats by end of the year under review amounted to Rs.205,635,373, Rs.96,907,915 and Rs.35,003,490 respectively.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, the Provincial Council Fund for the year ended 31 December 2014 had resulted in a surplus of Rs44,909,677 as compared with the surplus of the preceding year amounting to Rs.275,981,295.

4.2 Analytical Financial Review

Revenue and Expenditure

According to the financial statements presented, a summary of the revenue and expenditure for the year under review and the previous year is shown below.

	<u>Budgeted</u>	<u>2014</u> <u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2013</u> <u>Actual</u>	<u>Variance</u>
	<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>						
Tax Revenue	5,153.00	5,036.39	116.61	4,941.00	4,007.15	933.85
Non Tax Revenue	902.00	683.22	218.78	652.00	694.64	(42.64)
Government Grant	20,672.10	19,393.21	1,278.80	17,568.44	16,332.24	1,236.20
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Total	26,727.10	25,112.82	1,614.20	23,161.44	21,034.03	2,127.41
	=====	=====	=====	=====	=====	=====
<u>Revenue</u>						
<u>Expenditure</u>						
Personal	17,263.00	16,999.31	263.69	16,050.31	15,369.68	680.63
Emolument						
Other Expenditure	4,856.50	4,199.26	657.24	4,650.90	3,800.17	850.73
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Sub Total	22,119.50	21,198.57	920.93	20,701.21	19,169.85	1,531.36
Capital Expenditure	4,067.70	3,869.33	198.37	2,460.23	1,588.20	872.03
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Total	26,187.20	25,067.90	1,119.30	23,161.44	20,758.05	2,403.39
	=====	=====	=====	=====	=====	=====

The following observations are made.

- (a) Out of the total expenditure for the year under review, 85 per cent represented recurrent expenditure and 15 per cent represented Capital expenditure.
- (b) Out of the total revenue for the year under review, 20 per cent represented tax revenue, 3 per cent represented non tax revenue and 77 per cent represented government grant.

- (c) According to the financial statements presented, investments in Treasury Bills during the year under review and the previous year were Rs. 805,722,284 and Rs.748,452,671 respectively.
- (d) The entire provision of Rs.471,338,000 made for 13 objects of 8 ministries and departments of the Provincial Council had been saved. The savings in provision of Rs.78,140,274 made for 36 objects ranged from 50 to 99 per cent.

05. Authority Accounts/ Fund Accounts and Commercial Advance Accounts

5.1 Authority Accounts/ Fund Accounts

5.1.1 North Western Machinery Authority

(a) Financial Statements

Qualified opinion had been furnished.

(b) Comments on Financial Statements

(i) Accounting Policies

The following observations are made.

- (a) Although fully depreciated assets were in use as at end of the year under review, action had not been to revalue them and to make necessary adjustments in the accounts.
- (b) Action had not been taken in terms of Sri Lanka Public Sector Accounting Standard No.09 with regard to property, plant, equipment etc.,

(ii) Accounting Deficiencies

The following observations are made.

- (a) According to the specimen for presentation of financial statements, the loan instalments payable during the ensuing year should be shown under current liabilities and the balance of savings should be shown under non current liabilities. However, the balance of bank loans payable amounting to Rs.18,268,487 had not been separated in such a manner. Instead, it had been shown under long term loans.
- (b) Provision for gratuity as at end of the year under review had been understated by Rs.19,388,188.
- (c) The profit or loss from disposal of assets had not been computed and adjusted in the net profit. The sum of Rs.691,167 obtained by disposal of machinery had not been identified as receipt of cash flow too.

(c) Accounts Receivable and Payable

The following observations are made.

- (i) Out of the hire charges and vehicle repair debtors amounting to Rs.41,946,329 the loan balances shown as debtors for over 5 years, amounted to Rs.17,471,469.
- (ii) The value of creditor balances as at end of the year under review was Rs.6,495,624. Of these, the value of balances existing for over 2 years amounted to Rs.355,828.

(d) Non compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non compliance were observed.

**Reference to Laws, Rules,
Regulations etc.**

Non compliance

Inland Revenue
Act No. 10 of 2006

Tax amounting to Rs. 13,279,214 had not been
remitted as required by the Act for many years.

Employees' Provident Fund
Act No.15 of 1958
and
Employees' Trust Fund
Act No.46 of 1980

Rebate balances of Rs.16,158,908 pertaining to
Employees' Provided Fund and Employees'
Trust Fund had not been remitted as required by
those Acts.

(e) Operating Inefficiencies

(i) Management Inefficiencies

The following observations are made.

- (a) It was observed at audit sample checks that 13 vehicles were getting decayed for over 5 years as a result of not selling or using them.
- (b) A Becko Loader Machine had been purchased in 2013 for the training school for operating Becko Loader, Motor Grader and Excavator Machines commenced in April 2011 by spending Rs.6,700,000. However, no students had been admitted to the training school during the year under review.
- (c) A sum of Rs.571,141 had been paid as interest on overdrafts during the year under review due to poor financial control.
- (d) Fifteen items of assets valued at Rs.19,661,021 which had been set aside without being used for business operating activities for many years due to obsolescence had been shown as fixed assets of the year under review in the accounts. Action had neither been taken to dispose of them nor to take any other suitable action.

(e) Operating Inefficiencies

(i) Suspense over the Continuous Existence of the Institution

It was observed that the continuous existence of the Institution is in suspense due to the following matters observed during the analysis of financial statements of the Institution pertaining to the past few years.

- (a) A loss of Rs.53,996,739 had occurred during the recent 5 years.
- (b) By the end of the year under review gratuity amounting to Rs.18,480,408 should have been set aside from the profit and invested annually in respect of 93 permanent employees, according to their period of service. As a result of not doing so, there was lack of money to pay gratuities to employees on the due dates when they retire.
- (c) Due to lack of money Employees' Provident Fund and Employees' Trust Fund contributions of Rs.6,158,908 payable on behalf of employees had not been paid.
- (d) Surcharge on Employees' Trust Fund contributions amounting to Rs.3,466,174 payable on a verdict of the court remained unpaid for many years due to lack of money.
- (e) Tax payable to the government for many years amounting to Rs.13,279,214 had not been paid due to lack of money.

- (f) The bank overdraft by the year under review amounted to Rs.1,498,873 and the interest on overdraft paid amounted to Rs.571,141 as the operating activities were based on bank overdrafts resulting in an extensive payment of interest on overdrafts.
- (g) The net assets of Rs.41,744,589 was not enough to meet the liabilities amounting to Rs.61,998,642.
- (h) It was observed that the balances of debtors exceeding 5 years amounted to Rs.17,471,469 as per Debtors' Age Analysis and the risk of these loans becoming bad debts was more.
- (ii) Four motor vehicles could not be physically verified as they were not inside the premises of the Machinery Authority. These vehicles were neither in an external service centre as per entries available in the register of external services.

(g) Idle and Under-utilized Assets

 The following observations are made.

- (i) Plans had not been prepared for many years so as to obtain adequate service orders and as such 8 vehicles costing Rs.16,843,685 remained idle.
- (ii) It was observed at audit sample checks that 11 vehicles costing Rs.25,376,967 remained idle due to lack of servicing or due to non purchase of required accessories for servicing.

5.1.2 Human Resources Development Authority

(a) Comments an Financial Statements

 Qualified opinion had been furnished.

(b) Accounting Deficiencies

The sum of Rs.479,591 deposited in the Bank of Ceylon as security bonds of 33 officers had not been shown under current assets and current liabilities.

(c) Non compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non compliance were observed.

Reference to Laws, Rules, Regulations and Management Decisions

Non compliance

- | | |
|---|---|
| (i) Financial Regulation 1653 | The member of Kilometres performed, as entered by the driver of the vehicle in the daily running chart should be signed by the officer using the vehicle after checking the milometer readings at the commencement and end of the day. However, this had not been done with reference to a vehicle which had performed 8650 kilometres. |
| (ii) Provincial Financial Rule 261.2.2 | Advances amounting to Rs.187,000 obtained on 4 instances had not been settled as per financial rules. |
| (iii) Circular of the Chief Secretary of the North Western Provincial Council No.NW/CS/5/4/8 dated 15 December 2011 | Action had not been taken to obtain security deposits of Rs.124,000 from 6 provincial state officers who were required to furnish security deposits. |
| (iv) Paragraph 1.2.1 of the Circular No.01/2014 dated 28 January 2014 of the North Western Chief Secretary | Five hundred and forty five litres of fuel (diesel) valued Rs.61,645 had been issued exceeding the limit specified to the Executive Director from October 2014 to January 2015. |

- (v) Circular of the Secretary to the Ministry of Public Administration No.13/2008(iv) dated 09 February 2011
- During the period October 2014 to February 2015, 710 litres of fuel amounting to Rs.78,913 had been issued in excess to the General Manager.

(d) Operating Review

(i) Management Inefficiencies

The following observations are made.

- (a) None of the loans amounting to Rs.4,150,000 granted by the Authority to 15 persons and 16 societies and companies during the period 2009-214 could be recovered.

(b) Action taken against non recovery of Project Loans

Non recovery of loans from 3 projects out of the loans granted to each project amounting to Rs.1,094,982 due from 26 persons who had continuously neglected repayment of loans were referred to the Conciliation Board during the year 2014. Cases had been filed in courts to recover unrecovered loan balances of Rs.1,349,279 from 41 persons pertaining to 4 projects.

(ii) Identified Losses

The Authority had lost Rs.142,400 during the year under review under the Project for producing rice from traditional seeds paddy.

(iii) Fruitless Expenditure

The sum of Rs.891,251 spent on preparing a computer software for the loan scheme of the Human Resources Development Authority had become a fruitless expenditure.

5.1.3 Road Passenger Transport Services Authority

(a) Comments an Financial Statements

Qualified opinion had been furnished

(b) Accounts Receivable and Payable

Action had not been taken to recover from the respective parties the balances of receivables aggregating Rs.1,073,827 as at end of the year under review which continued to be brought forward for a period of 2 to 14 years.

(c) Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non compliance were observed.

**Reference to Laws, Rules,
Regulations and Management
Decisions**

Non compliance

(i) Provincial Financial
Rule 261.2.2

Prior approval of the Chief Secretary is required for granting ad hoc imprests exceeding Rs.100,000 at a time. However, such action had not been taken with regard to advances amounting to Rs1,985,000 granted on 9 instances.

(ii) Paragraph 2.1 of the Gazette Notification (Amended) of the Democratic Socialist Republic of Sri Lanka No.1324 dated 16 January 2004.

Licence holders should be selected by open minimum tender procedure. However, such action had not been taken with regard to 106 new road licences issued from 01 January 2013 to 31 August 2014.

(d) Operating Review

(i) Operating Inefficiencies

The following observations are made.

- (a) Action had not been taken upto the date of audit to settle the advances of Rs.115,500 granted on 4 instances during the years 2001, 2002 and 2009.
- (b) Legal expenses of Rs.409,000 had been paid to a Lawyer during the year under review without entering into a service agreement.

(ii) Uneconomic Transactions

A sum of Rs.143,270 had been spent on newspaper publications relating to the Presidents' assumption of duties, while was not relevant to the functions or objectives of the Institution.

(ii) Identified Losses

The following observations are made.

- (a) Applications had not been called for, by tenders for 38 new licences issued during January 2013 to July 2014. As a result, the Authority had been deprived of obtaining Rs.437,000.
- (b) A loss of Rs.32,359,000 had occurred as a result of not recovering the required fees for 102 new licences issued during January 2013 to 31 August 2014.

5.1.4 Provincial Environmental Authority

(a) Financial Statements

Qualified opinion had been furnished.

(b) Comments on Financial Statements

Accounting Deficiencies

The following observations are made.

- (i) Creditors and debtors for the year under review had been understated by Rs.270,064.
- (ii) Four items of assets valued at Rs.4,419,777 which had been fully depreciated continued to be used. Action had not been taken to revalue and include them in the accounts.

(c) Non compliance with Laws, Rules, Regulations and Management Decisions

Ten officers who were required to furnish security deposits amounting to Rs.111,000 as per circular No.ඩ/ප්‍ර.ලේ/5/4/1/8 dated 15 December 2011 of the North Western Chief Secretary had paid Rs.40,000 only.

(d) Operating Review

(i) Performance

The following observations are made.

- (a) The Authority had not implemented procedures to identify by examination the industrial field required to obtain licences referred to in the Gazette Notification of 21 December 2010. Licences had been issued by examinations only when requests were made by the industrialists.
- (b) A register had not been maintained in such a manner so as to properly register the licences issued and to examine whether they were being renewed annually. Instead, renewals of licences had been made only on requests made whereas action had been taken with regard to licence holders who had made no requests.

(i) Management Inefficiencies

A sum of Rs.3,455,311 had been obtained from the Chief Ministry to establish a mobile laboratory to examine the environmental conservation field of the Authority and the money had been spent to purchase necessary equipment. But, action had not been taken to recruit a knowledgeable officer to operate the mobile laboratory.

(ii) Operating Inefficiencies

The following observations are made.

- (a) The Environmental Authority had incurred an additional expenditure of Rs.270,064 with reference to 5 projects during 2006 to 2013. However, proper action had not been taken to recover the said amount from the respective institutions.

- (b) Eight centres which should obtain environmental licences were identified at a physical verification carried out in audit on 18 February 2015. But, none of those institutions had obtained environmental licences. Although it was observed that the environment may get affected by all those institutions, it was not observed that adequate attention had been paid to avoid such disaster.

5.1.5 North Western Development Authority

(a) Financial Results

Qualified opinion had been furnished.

(b) Comments on Financial Statements

(i) Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Revenue expenditure of Rs.839,727 had been accounted for, as fixed assets. As a result, the revenue expenditure had been understated by a similar amount and the fixed assets had been overstated by a similar amount.
- (b) Buildings valued at Rs.489,914 written off as revenue expenditure in 2008 and 2009 had been capitalized during the year under review. However, adjustments for depreciation had not been made in this connection. As a result, the net value of buildings had been oversteaed by a similar amount.
- (c) Revenue from lease rent of the Badagamuwa Tourist Centre for the year under review had been understated by Rs.648,000.
- (d) The net value of one hundred and forty two items of fixed assets costing Rs.7,587,660 had become zero and this remained in the accounts even by 31 December 2014. These had not been revalued and the current value brought to acconts.
- (e) Although a sum of Rs.85,739,716 had been spent by the Authority on construction activities during the 8 years to conduct a hotel school named Tourist and Hotel Management of the North Western Provincial Council, it had not been capitalized.

(c) Accounts Receivable and Payable

(i) Accounts Receivable

The balances due from officers and external parties as at end of the year under review was Rs.7,091,606. Action had not been taken to settle it. It was observed that these balances consisted of balances exceeding 2 years which amounted to Rs.724,136.

(ii) Accounts Payable

The balances of accounts payable as at end of the year under review amounted to Rs.7,775,872. Of these balances of accounts payable, balances exceeding 2 years aggregated Rs.2,630,873. Action had not been taken to settle these balances.

(d) Fruitless Expenditure

Two officers appointed to the North Western Development Authority from 01 January 2014 had been assigned to the private staff of the Chief Minister and in this connection a sum of Rs.480,000 had been paid during the year under review.

(e) Non compliance with Laws, Rules, Regulations and Management Decisions

Sixteen cheques valued at Rs.3,323,577 drawn before 31 December 2014 had been retained and remained unissued for payments contravening Provincial Financial Rule 277.2.

(f) Uneconomic Transactions

A sum of Rs.1,408,565 had been spent on various activities during 2009 to 2014 to establish the Ibbagamuwa Thalagaswewa Tourism Centre, However, this had not functioned and the expenditure incurred had become fruitless.

(g) Operating Review

Operating Inefficiencies

The following observations are made.

- (i) Although a sum of Rs.95,526,483 had been spent to construct buildings for conducting a hotel school under the North Western Provincial Council and to purchase equipment by utilizing the Provincial Specific Development Provision, the North Western Provincial Council had not derived any benefits from it. Instead, this property had been vested with another institution, other than a

government institution, by entering into a Memorandum of Understanding.

- (ii) The Institution of Sri Lanka Tourism and Hotel Management is entrusted with matters such as, conducting courses for the hotel school, enrolment of students, conducting examinations, awarding certificates, to refer for practical training and further studies. But, it was observed that the Provincial Council never derives any benefits, whatsoever, from the income institution.

5.1.6 Pre School Educational Development Authority

(a) Financial Statements

Qualified opinion had been furnished.

(b) Comments on Financial Statements

Accounting Deficiencies

A sum of Rs.2,935,146 had been shown as depreciation for the year in the cash flow statement and the financial performance statement. However, the correct depreciation for the year as per accounts amounted to Rs.3,691,552. Thus, a difference of Rs.756,406 was observed.

(c) Operating Review

(i) Transactions of a Contentious Nature

The following observations are made

- (a) A driver and a KKS of the Authority had been released for duties of the Chief Minister in December 2014 and February 2014 respectively and a sum of Rs.194,565 had been paid as salaries by the Authority.
- (b) A sum of Rs.122,300 had been paid on 04 instances for activities other than the main objectives of the Authority.

5.1.7 North Western Resources Development Authority

(a) Financial Statements

Qualified opinion had been furnished.

(b) Comments an Financial Statements

(i) Continuous Existence of the Institution

Three out of 06 projects implemented during the year under review had ended in loss. Four projects operating during the previous years had become dormant as there were no operating activities during the year under review.

(ii) Accounting Deficiencies

The following observations are made.

- (a) The exact value of the Bahudiga Cypher Yathra Achchu had not been identified and accounted for.
- (b) Revenue relating to 67 tests of the PCR project amounting to Rs.150,750 had been omitted in the accounts.
- (c) Sales value of cypher production sales had been overstated by Rs.1,825,505 and the profit too had been overstated by a similar amount.
- (d) Fixed assets with a book value of Rs.14,979,985 had been understated in the accounts. The accumulated depreciation of those assets too had been understated by Rs.5,548,515.
- (e) No explanations, whatsoever, had been furnished for the manner of accounting regarding the revenue of Rs.2,142,000 from 952 tests representing 79 per cent of the total tests carried out under the PCR project during the year under review.

(c) Accounts Receivable and Payable

Unsettled debtors' and creditors' accounts as at end of the year under review amounted to Rs.5,049,115 and Rs.3,381,610 respectively.

(d) Operating Review

Identified Losses

The following observations are made.

- (i) Goods valued at Rs.151,150 at the Sinnapaduwa Insemination Centre had got misplaced.
- (ii) The period of usage of chemical materials used for testing the status of water valued at Rs.294,922 had expired.

(e) Idle and under utilized Assets

The fish production project, fishery plan project, Sinnapaduwa Insemination Centre, Mundalame observation centre and 5 buildings at the head office premises valued at Rs.16,077,000, 24 machinery and equipment valued at Rs.11,829,373 belonging to the Authority remained idle for 5 to 8 years.

5.1.8 Industrial Services Bureau

(a) Financial Statements

Qualified opinion had been furnished.

(b) Comments on Financial Statements

(i) Accounting Policies

- (a) The depreciation ratio of fixed assets had been changed during the year under review. But this had not been disclosed in the accounts.

(b) The depreciation of assets had increased by Rs.3,642,260 during the year under review as compared with that of the previous year. The financial statements had been adequately affected by the change in depreciation policy. It was observed that it had adversely affected the financial results.

(ii) Accounting Deficiencies

A difference of Rs.30,391,564 was observed while comparing the value of 3 items included in the cash flow statement with the accounts.

(c) Accounts Receivable and Payable

(i) Balances Receivable

Action had not been taken to investigate and settle balances of Rs.9,835,761 relating to 22 items of accounts exceeding 2 years which were being brought forward from previous years as shown in the balance sheet as at end of the year under review.

(ii) Accounts Payable

Action had not been taken to investigate and settle balances of Rs.4,339,034 relating to 18 items of accounts exceeding 2 years which were being brought forward from previous years as shown in the balance sheet as at end of the year under review.

(d) Non compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non compliance were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non compliance
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(i) Provincial Financial Rule 261.2.2	Advances amounting to Rs.754,000 had again been paid to officers who had not settled their previous advances obtained during the year under review.

- (ii) Provincial Financial Rule 546 None of those officers who were required to furnish security deposits had taken action to furnish them.

(e) Operating Review

Management Inefficiencies

The following observations are made.

- (i) The average cash balances by end of the year under review of two current accounts bearing No.713494 and No.713534 maintained by the Bureau were Rs.4,959,270 and Rs.3,790,966 respectively. The possibility of identifying the minimum balances to be maintained and investing the surplus amount had not been explored.
- (ii) An incubator purchased by the Bureau in 2012 by paying Rs.1,480,000 had not reached the Institution till 2015 and a case had been filed in the courts regarding this. The Bureau had incurred an expenditure of Rs.42,250 by end of the year under review with regard to this case.

5.1.9 North Western Janakala Foundation

(a) Financial Statements

Qualified opinion had been furnished

(b) Comments on Financial Statements

(i) Accounting Deficiencies

The following observations are made.

- (a) The Return Outwards for the year under review amounting to Rs.532,933 had been deducted twice and as such the profit for the year under review had been overstated by Rs.532,933.
- (b) The office equipment and musical equipment purchases during the year under review had been overstated by Rs.270,117.

(ii) Unreconciled Control Accounts

A difference of Rs.1,510,469 was observed between the value of closing stocks at the head office and 3 sales centres while preparing the financial statements for the year under review.

(c) Accounts Receivable

The management was unable to recover sales on credit by sales centres aggregating Rs.217,577 upto end of the year.

(d) Non compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non compliance were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non compliance
-----	-----
(i) Provincial Financial Rules	

(a) P.F.R. 261.2.2	Advances should be settled immediately after the purpose is fulfilled. However, the time taken to settle advances of Rs.626,250 granted to 10 officers ranged from 28 to 267 days.
(b) P.F.RR 471.1 and 471.2	Although a stock worth Rs.18,359,339 had been purchased in 2014 with the intention of selling, stock books had not been maintained in such a manner so as to identify each receipts, issues and balances.
(ii) Paragraph 3.4.3 of the Procurement Guidelines	Suppliers had not been properly registered after 2008.

(e) **Operating Review**

- (a) The profit of the Kurunegala Viskam Sales Centre had dropped by 66 per cent compared to that of the year 2013.
- (b) The Chilaw Viskam Sales Centre had incurred net losses from 2011 upto now. The net loss of 2014 compared to that of the year 2013 was an increase of Rs.298,119, that is, 51 per cent.

(ii) **Management Inefficiencies**

The Institute had been deprived of a rent income of Rs.1,425,000 which could have been earned by either giving 5 rooms on rent or by using them for some fruitful purpose after completion of the period of agreement.

(iii) **Operating Inefficiencies**

The construction of the North Western Janakala Foundation Auditorium commenced in 2010 and a sum of Rs.10,752,379 had been spent under 2 stages. However, action had not been taken even by end of the year under review to make it usable completely.

(iv) **Transactions of a Contentious Nature**

A sum of Rs.384,660 had been spent during the year 2014 for activities contravening the objectives of the North Western Janakala Foundation.

(v) **Vehicle Utilization**

The following observations are made.

- (a) Officers using the pool vehicles had obtained 860 litres of fuel valued at Rs.100,071 on 17 government fuel orders bearing signatures which had not tallied with the usual signatures of drivers serving at the North Western Janakala Foundation.
- (b) Officers using the pool vehicles had obtained 265 litres of fuel valued at Rs.25,435 on 6 government fuel orders without the signatures of drivers serving at the North Western Janakala Foundation.

5.1.10 Sports Fund

(a) Financial Statements

Qualified opinion had been furnished.

(b) Management Inefficiencies

Certain group had stayed at the Institute till midnight as the working hours of the Institute had not been exhibited and due to the non existence of a proper security procedure. As a result, additional burden on expenditure on overheads such as electricity, water and overtime to employees had occurred.

(c) Under-utilization of Funds

A sum of Rs.1,100,000 had been obtained in 2006 to construct a sports complex under the Provincial Specific Grant Programme. Instead of using it for the said purpose, it had been deposited in a fixed deposits account.

(d) Properties not Properly Acquired

The land where Shilpa Shalikawa had been constructed had not been acquired even by August 2015.

5.1.11 Minor Irrigation and Rural Road Maintenance Fund

(a) Financial Statements

Qualified opinion had been furnished.

(b) Comments on Financial Statements

Accounting Deficiencies

The interest on fixed deposits amounting to Rs.285,960 due for the year under review had not been brought to accounts. The interest income of Rs.392,342 of the previous year had been accounted for, as interest income of the year under review. As a result, the surplus of the year under review had been overstated by Rs.106,382.

(c) **Operating Review**

Management Inefficiencies

According to Section 4.2 of the Minor Irrigation and Rural Road Development Fund statute No.03 of 2004, a board of maintenance of infrastructure facilities should be appointed for a period of 2 years by the North Western Chief Secretary. However, action had not been taken to appoint a new board upto March 2015 although the appointment had ceased on 31 July 2013.

5.1.12 Chief Ministers' Fund

(a) **Financial Statements**

Qualified opinion had been furnished.

(b) **Operating Review**

Performance

- (i) Although the mission and objectives of the Chief Ministers' Fund were to alleviate poverty within the North Western Province, upciftment of religious or maintenance of religious activities and to award persons who had worked for the betterment the of North Western Province, much attention had not been paid in this regard.
- (ii) Eighty seven per cent of the expenditure of the Fund representing Rs.2,448,000 had been incurred on medical aid. In addition, only a sum of Rs.250,000 and a sum of Rs.80,000 respectively had been spent on purchase of sports goods and education.
- (iii) The balance remaining out of the collections for the Tsunami Fund commenced in 2005 was Rs.2,000,000. This had been invested in a fixed deposit of the Bank of Ceylon in 2008 and by now it had increased upto Rs.4,154,834 including its interest. It was observed that Fund was idling since 2008 without being used for any activity.

5.1.13 Co-operative Employees' Pension Scheme

(a) **Financial Statements**

Qualified opinion had been furnished.

(b) **Non compliance with Laws, Rules, Regulations and Management Decisions**

According to the bank reconciliation statement prepared as at 31 December 2014, action had not been taken in terms of financial Rule 283.4 with regard to 15 cheques valued at Rs.269,549 which had exceeded 6 months from their dates of issues.

(c) **Financial Review**

Management Inefficiencies

A sum of Rs.168,000 had been paid to an external organization to install a computer software for the Co-operative Employees' Pension Scheme during the year 2010. However, the computer system had not been installed even by end of the year under review.

5.2 Commercial Advance Accounts

5.2.1 North Western Training Institute –Account No.26002

(a) **Financial Statements**

Qualified opinion had been furnished.

(b) **Comments on Financial Statements**

Accounting Deficiencies

The following observations are made.

- (i) The balance of the current Account No.0005817516 of the Bank of Ceylon, Wariyapole in favour of the Institute as at 31 December 2014 was Rs.268,119. This had not been shown in the financial statements from 2009 to the year under review.

- (ii) The income of Rs.537,167 receivable for the year under review had been omitted in the accounts. As a result, the income and the net profit of the year had been understated by a similar amount.
- (iii) The value of library books purchased for Rs.264,565 had not been included in the financial statements resulting in an understatement of assets of the year under review by a similar amount.
- (iv) The assessment reports of the assets of the North Western Training Institute had been received on 28 June 2013. However, the values appearing in that assessment report had not been taken into consideration for preparation of financial statements of the year under review. As a result the value of Non-current Assets had been overstated by Rs.31,639,415 in the Balance Sheet.

(c) Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

- | | |
|------------------|---|
| (i) P.F.R 375.1 | Provision should be made in the estimates for write-off if net loss is expected in the Advance Account activities during the financial year and the officer concerned approves such a loss. However, this had not been done. |
| (ii) P.F.R 377.1 | The depreciation of capital assets of Advance Account activities should be annually debited to the Profit and Loss Account and the depreciation should be credited to the Reserve Fund Account and the amount equivalent to depreciation should be sent in cash to the Provincial Treasury in order to credit it to the General Deposit Account (Depreciation Reserve Fund) before closure of the Treasury books for the financial year. However, a sum |

of Rs.10,986,647 had not been remitted in such a manner during the year under review and the previous years (2011-2014).

(iii) P.F.R 379

Provision should be made in the annual financial statements for settling the working loss of Advance Accounts. However, it has not been done. A working loss of Rs.7,648,369 had been shown in the final accounts statement of 2014 for the period 2009 to 2014.

(d) Operating Review

(i) Performance

The following observations are made.

(a) Although 10150 trainees had been invited for 177 training courses conducted by the Management Development Unit during the year 2014, only 8528 participants had participated. Accordingly, the number of trainees who had not participated was 1622 representing 16 per cent. As a result, about 16 per cent of the fixed costs such as electricity, hall charges, cost of resource persons, wages of employees of the Institute etc., could not be beneficially utilized. Further, the North Western Training Institute had been deprived of its expected income such as service charges, food supply charges, income from bus etc.,

(b) The North Western Training Institute had not introduced any new training course during 2014 and 3 projects for manufacture of computer software running at a profit had been suspended.

(ii) Idle and Under Utilized Assets

Two items of assets valued at Rs.1,668,125 which belonged to the Training Institute remained idle.

5.2.2 Enterprises Development Services Combined Insemination Farm, Mawatagama – Account No.25002

(a) Financial Statements

Qualified opinion had been furnished.

(b) Comments on Financial Statements

Accounting Deficiencies

The following matters were observed.

- (i) Although a sum of Rs.268,000 had been spent for farm activities from the expenditure heads of the ministry under the Provincial Specific Development Grant during the year under review, the expenditure concerned had not been taken into consideration while calculating the profit of the Advance Account activities.
- (ii) Income from sale of coconuts amounting to Rs.548,040 received on behalf of the previous year had been shown as income of the year in the journal entries. However, the income concerned had not been adjusted in the income of the year or the Accumulated Fund.

(c) Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(i) P.F.R 375(1)

Provision for loss should be made for net loss, if any, expected in the advance account activities. However, this had not been so done.

P.F.R 377(1)

A sum of Rs.604,478 had been provided for depreciation during the year under review for decrease in value of capital assets. However, this amount had not been remitted

to the Provincial Treasury in order to credit it to the “General Deposit Account Depreciation Reserve Fund.

(d) Operating Review

Operating Inefficiencies

- (i) A sum of Rs.24,900 had been remitted less to the Employees’ Trust Fund on behalf of the minor employees of the Farm.
- (ii) Many development activities were needed at the Farm. But, instead of attending to them, a sum of Rs.664,834 had been remitted to the Chief Secretary while settling the accounts in 2014.

5.2.3 Operation of Farm Activities and Supply of Seed Paddy Account No.25102

(a) Financial Statements

Qualified opinion had been presented.

(b) Accounting Deficiencies

The fixed assets had been understated by Rs.429,306 as at end of the year under review.

(c) Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions

i. P.F.R 377.1

Non-compliance

A sum of Rs.1,792,480 had been provided for depreciation during the year under review for decrease in value of capital assets, However, this amount had not been remitted in cash to the Provincial Treasury in order to credit it to the General Deposit Account Depreciation Reserve Fund.

- | | |
|--|--|
| ii. P.F.R 380 | If a loss is revealed in a Temporary Profit and Loss Account, it should be debited to the financial provision provided for losses in the financial statements and the corresponding Advance Account should be credited. However, the net loss of Rs.2,401,216 of the year under review had been added to the previous years net loss and deducted from the liabilities and shown as an accumulated loss of Rs.67,036,480 in the balance sheet. |
| iii. Employees' Provident Fund Act No.15 of 1958 | The remittances made to the Fund for harvesting employees of the Wariyapols and Galgamuwa farms as per Act were less by Rs.384,048. |
| iv. Employees' Trust Fund Act No.46 of 1980 | Employees' Trust Fund contributions of Rs.172,742 relating to harvesting employees of the farms had not been remitted. |

(d) Operating Review

(i) Idle and Under-utilized Assets

The following observations are made.

- (a) About 28 acres of land of the Galgamuwa Farm remained idle without being utilized for any purpose. Attention had not been paid to cultivate crops that are suitable for the area which could yield income.
- (b) Fifteen types of assets had been idling in garages and stores of the Wariyapola Farm premises for a long period. Action had not been taken to identify and dispose of them or to acquire them.

(ii) Identified Losses

The following observations are made.

- (a) The loss compared to the expenditure incurred on the milk cow project at the Wariyapola Farm was Rs.203,813.
- (b) Five kilogrammes of Miti Murunga seeds valued at Rs.150,000 purchased at the Wariyapola Farm in December 2012 had been lying at the stores even by 27 March 2015, although the period of validity had expired.
- (c) A loss of Rs.123,022 had been caused as it was unable to sell the Battu seeds and due to the expiry of period of validity of Ulundu purchased at the Wariyapola Farm in 2013 and 2014.
- (d) The loss compared to the expenditure incurred on cultivation of Dambala and Peanuts at the Wariyapola Farm in 2013 and 2014 was Rs.77,653.

5.3 Delayed Presentation of Commercial Accounts

5.3.1 Establishment of Industrial Workshops and Administration Including Supply of Raw Materials at the Department of Textiles 22302- Year 2012.

(a) Financial Statements

Qualified opinion had been presented.

(b) Accounting Deficiencies

The following observations are made.

- (i) The cost of Rs.4,040,284 of a lorry purchased in 2010 had not been shown under non current assets in the balance sheet. The annual depreciation of the lorry too had not been adjusted in the Commercial Advance Account.
- (ii) The balance of the Suspense Account amounting to Rs.80,522 which continues to be brought forward from the year 1998, had not been rectified by making necessary adjustments during the year under review too.

(c) **Accounts Receivable and Payable**

Two balances of accounts amounting to Rs.474,181 shown under current liabilities as over recoveries and errors caused by entering twice had been brought forward from the year 2011. Action had not been taken to settle those balances.

(d) **Management Weaknesses**

Debtors Control

The management had not taken any action to recover the loan of Rs.9,143,540 which continues to be brought from the year 1998. Provision for bad debts too had not been made annually, considering the risk in recovering the loan.

5.3.2 Establishment of Industrial Workshops and Administration including supply of Raw Materials at the Department of Small Industries-Advance Account No.22402-Year 2012

(a) **Financial Statements**

Qualified opinion had been presented.

(b) **Accounting Deficiencies**

- (i) An expenditure of the Advance Account amounting to Rs.229,274 had been incurred from the departmental votes.
- (ii) Recurrent expenditure incurred amounting to Rs.196,576 had been accounted for, as capital expenditure.
- (iii) Debtors of Rs.1,195,906 had been shown in the balance sheet exceeding 10 years. However, adequate provision for doubtful debts had not been made considering the risk of recovery of these loans.

(c) **Lack of Evidence for Audit**

Balance of 4 accounts of assets amounting to Rs.27,525,315 could not be satisfactorily verified in audit due to lack of title deeds, vesting documents, register of fixed assets, schedule showing make up of balances etc.,

5.3.3 Commercial Advance Account of the Department of Small Industries relating to Maintenance of Technical Schools – 22403 – year 2012

(a) Financial Statements

Qualified opinion had been furnished.

(b) Accounting Deficiencies

The following observations are made.

- (i) A debtors' analysis had not been prepared so as to facilitate provision for bad and doubtful debts with reference to lapsed loans and such provision for bad and doubtful debts had not been made. for lapsed loans.
- (ii) Expenditure such as electricity, water, telephone and rates of Rs.229,906 which could have been incurred from the Advance Account had been incurred from the Departmental Objects.
- (iii) Recurrent expenditure of Rs.1,047,844 paid for repairs to machinery and buildings during the year under review had been accounted for, as capital expenditure.
- (iv) Information relating to the security deposits of caretakers of 30 training centres which falls under the advance account activities and the investments thereon had not been revealed in the accounts.

(c) Lack of Evidence for Audit

Nine balances of assets and liabilities amounting to Rs.14,769,926 could not be satisfactorily verified in audit due to lack of evidence such as specific registers, board of survey reports, schedule showing make up of balances, control accounts and confirmation of balances.

(d) Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(i) Provincial Financial Rule 375.1	Action had not been taken to obtain necessary provision to settle the expected working loss of the advance account activities.
(ii) Provincial Financial Rule 377.1	Annual depreciation of fixed assets, crediting the depreciation thereof in a Reserve Fund Account and showing the amount as an asset in the balance sheet had not been done

6. Operating Review

6.1 Performance

The following observations are made.

- (a) There are 46 Divisional Secretariat divisions within the North Western Province. However, 47 Community Health Assistant Medical Officers who worked at the department had been made use of, to work at the Line Ministry. As a result, only 24 Community Health Assistant Medical Officers had been allowed to serve at the Provincial Department of Ayurveda. Due to this, the mobile services in all the Divisional Secretariat areas could not be fulfilled in a qualitative level.
- (b) An examination of the progress relating to Community Health Service Clinics and Programmes, the progress of clinics and programmes conducted was about 32 per cent as per estimated and actual statistics. The Department of Ayurveda had paid less attention in conducting programmes, programmes for eradicating non communicable diseases, narcotic drug eradication programmes, cultivation of herbal plants programmes, health education programmes etc.,

- (c) While considering the production of 14 varieties of pharmaceuticals during the year 2014, four to 450 per cent of pharmaceuticals had been purchased externally as compared to their productions. Necessary quantities of pharmaceuticals could not be produced within the Department of Ayurveda due to lack of adequate human and physical resources.
- (d) It was observed that the Kurunegala Co-operative Development sub office consisted of 13 Co-operative Development Officers' Division and 1054 registered societies. 122 out of 623 active co-operative societies had not been subjected to audit in 2014 as required by Chapter (viii) of the Co-operative Societies Act No.5 of 1972 of the National State Assembly.

The Institution had carried out 854 audits during the year 2014. However, many of those audits related to 2009, 2010, 2011 and 2012. 18 co-operative societies had not been audited since their inception due to delay in presentation of accounts. About 73 societies had not been audited after 2010, 2011 and 2012.

- (e) Out of the 386 societies to be wound up in the sub offices of Kurunegala, Kuliyaipitiya and Chilaw belonging to the North Western Co-operative Department, only 108 had been wound up. There were 278 societies where the winding up activities could not be completed due to reasons such as, lack of staff, inability to find out officers of societies which were to be wound up, difficulties experienced in finding out books and records, inability to find out debtors, inability to value and difficulties experienced in selling them,

(f) Non-achievement of Objectives

The following observations are made.

- (i) While fulfilling the objectives of the Commercial Advance Account Activities of the Department of Small Industries, 9 directly related instances of miscellaneous expenditure of Rs.3,280,087 had been incurred from the Appropriation Account. As such, it was observed in audit that the objectives had not been fulfilled by making provision in the annual financial statements.
- (ii) According to the Annual Action Plan of the Department of Small Industries, each carpentry school should fulfil orders to a minimum value of Rs.3 lakhs. However, 6 carpentry schools had not performed at least one order.

- (iii) According to the five years plan of 2013-2017 of the Department of Small Industries, it was planned to enroll 1196 students for the year 2014. However, the number of students enrolled in 2014 was 640. Of those, 78 were able to leave with certificates.
- (iv) According to the Register of Annual Estimates of the Ministry of Social Welfare, 21 Projects for Rural Development Programme Drinking Water, 17 Rural Inner Roads and Projects for 7 Community Centres had been abandoned.

6.2 Management Inefficiencies

The following observations are made.

- (a) Three beds including a teak bed with designs and double beds which had not been removed by the board of survey of 2014 and which were in use at the official residences of the Governor had not been produced for physical verifications carried out by the officers of the institution dealing with the subject and by the audit officers.
- (b) A certificate of guarantee for 2 years should have been obtained for the mobile electric hearth purchased by spending Rs.1,485,000 under the Special Project 2013 for the Walakumbara Pottery Centre by the Department of Small Industries. A guarantee certificate for a period of one year had been obtained as per service agreement signed on 12 January 2014. The hearth had been received at the Department of Small Industries in April 2014 and as such the guarantee period of the hearth had been limited to 8 months.
- (c) Five hundred and twenty seven applicants of 5 Garama Seva Niladhari Divisions registered in the Land Commissioner's Register 157 were in occupation of crown lands as at end of the year under review without licences. But, the Puttalm Divisional Secretariat had not taken necessary action to issue licences to suitable applicants.
- (d) The equipment named Centrifuge used at the main laboratory of the Sandalankawa District Hospital had become obsolete. As such, the serum cholesterol tests for patients had become a standstill since 2012.

- (e) As a result of not obtaining the necessary spare parts for repairing equipment at the correct time, 72 equipment received at the Bio Medical Engineering Unit could not be repaired.
- (f) Inventory items valued at Rs.1,835,535 at the “Suwatha Piyasa” body fitness centre belonging to the unit pertaining to non-communicable diseases at the District Health Service Directors’ office were in charge of a consultant who had not been properly appointed.
- (g) The Chief Ministry had purchased 500 Red Clay Strainers valued at Rs.1,246,000 with the objective of supplying pure water to kidney patients. Of these, 144 were lying idle. It was observed that the following shortcomings were inherent in the Red Clay Strainers so obtained.
 - (i) The walls of the strainers had broken into small pieces while being used.
 - (ii) Small clay particles of strainers got soaked in water.
 - (iii) Those particles were getting collected at the bottom portion of the plastic containers.
 - (iv) The speed of the water strainer was one litre per hour. As such, the strainers were not adequate enough for a family with many members.
 - (v) Spare parts for these were not available in the open market.
 - (vi) Water was seeping through certain water taps as they were not of the required standard.
- (h) The following shortcomings were observed at the physical verification carried out with regard to the Reusable Water unit constructed by the Chief Ministry by spending Rs.26 million as at 31 December 2014.
 - (i) The plastic tank had been constructed in such a manner so that the sunrays directly falls on it.
 - (ii) There were no facilities to use bolts for the main tap and other taps.
 - (iii) These had been stationed in areas inhabited by wild elephants.
 - (iv) Action had not been taken to erect electric fences or safety fences.
 - (v) About 50 per cent of the water system was getting wasted.
 - (vi) Shortage of water during drought was unavoidable as a result of wastage of water.
- (i) The Chief Ministry of the North Western Province had spent Rs.21,468,948 under the Criteria Based Provision in 2014 to purchase 15,000 plastic chairs, 200 sauce pans, 50 amplifiers, 200 steel cupboards and 1324 asbestos sheets for distribution

among voluntary organizations on a rural community level. It was observed at sample checks carried out in audit with regard to purchase of these goods, distribution and storage that there were many shortcomings and certain such instances appear below.

- (i) Sample checks carried out regarding 5000 plastic chairs purchased by spending Rs.4,625,000 revealed that no plastic chairs had been issued to 10 low income earning Divisional Secretariats of the Kurunegala District and 56 per cent of the chairs purchased had only been issued to the Divisional Secretariats Panduwasnuwara West and East.
- (ii) According to the register of distribution furnished for audit with regard to goods purchased for Rs.21,468,948 under the Criteria Based 2014, it had been noted that the respective parties had obtained goods valued at Rs.685,763 in good condition. However, it was observed at an on the spot audit checks carried out that the goods concerned had not been given to the required parties.
- (iii) Twenty one instances selected from the register of distribution furnished for audit were subjected to audit and it was observed that the signatures and official stamps in the register of distribution differed from the signatures and official stamps of the respective persons of societies/ institutions relating to varieties of goods valued at Rs.701,634.
- (iv) Although it had been reported that 289 roofing sheets valued at Rs,436,900 had been issued to 10 persons, it was observed that the persons concerned were not residents of the area or a voter of the electoral register.
- (v) Six hundred plastic chairs and 16 steel almyrahs valued at Rs.739,000 had been issued to a selected society alone.
- (j) According to the Land Acquisition Act, the assessed value should be paid from the date of acquisition of a private land for necessity of the government. Annual interest at the rate of 7 per cent should be paid upto the date of payment of Compensation at all instances of delay in marking payments. Accordingly, the Mundel Divisional Secretariat had paid an interest of Rs.2,101,484 for delay in paying compensation 6 blocks of land under the original survey pan No.4484.

6.3 Operating Inefficiencies

The following observations are made.

- (a) Proper action had not been taken with regard to the surplus of 731,225 units of 300 items of goods and the shortages of 291,784 units of 315 items of goods pointed out in the board of survey reports of the Nikawaratiya Base Hospital and the Sandalankawa District Hospital for the year 2013.
- (b) Action had been taken to close down 126 schools of the North Western Province by the year 2014. Of these, 72 had been handed over to Divisional Secretaries and the rest, that is, 54 had not been handed over. Out of the schools closed down, 21 schools of the Kurunegala Educational Zone, 22 schools of the Kuliyaipitiya Educational Zone, 7 schools of the Ibbagamuwa Educational Zone, 2 schools of the Chilaw Educational Zone and 7 schools of the Puttalam Educational Zone remained unused for any activity.
- (c) There are 295 official quarters in the possession of the Provincial Department of Education. Only 60 of these official quarters had been occupied by officers and 107 quarters were in dilapidated conditions. Proper action had not been taken to bring them to proper condition.
- (d) The North Western Department of Education had not distributed 1392 units of sports goods purchased by it during 2009, 2013 and 2014.
- (e) Private examinations conducted in government schools and recovery of fees thereon were subjected to checks and it was revealed that a proper procedure to be adopted while recovering fees for examination halls had not been introduced. Meanwhile, there was no procedure to collect hall charges before conducting in government schools. As a result, it was observed that the recovery of hall charges had been delayed or not been recovered at all.
- (f) Action had not been taken to properly distribute 1603 Teachers' handbooks which had been received at the Nikawaratiya Zonal office over 6 years ago and it was observed that those books had started decaying as a result of unsecured storage.
- (g) Twenty seven teachers of the Zonal Education Officers at Nikawaratiya, Giriulla and Ibbagamuwa had not been confirmed because of matters such as non confirmation of results, non receipt of reply although the relevant information had been referred to the Zonal education office, incomplete qualifications and

misplacement of files. Accordingly, it was not observed whether it was checked that the teachers had fulfilled the required qualifications at the time of their recruitment.

6.4 Transactions of a Contentious Nature

The following observations are made,

- (a) Cost incurred by the institution on 2 occasions while purchasing a generator for the Dambadeniya Base Hospital and the price increase prevailed while purchasing for the third time showed that the financial loss caused to the institution was about Rs.449,824.
- (b) The Department of Textiles decided to purchase a weaving machine which could weave 60 kilos of thread at a time. However, the machine purchased was able to weave 12 ½ kilos and weaving of thread could be done 4 times a day by using it. As such, the weaving of thread per day had been limited to 50 kilos. As a result, out of the 100 kilos of thread boiled per day, 50 kilos had to be dried up naturally and it showed that the institution had not obtained efficiency relative to the expenditure incurred.
- (c) Action had been taken to repair the damaged desks and chairs available at many schools of the North Western Department of Education by entrusting the work to the North Western Machinery Authority. However, proper rates and proper specifications had not been furnished in terms of the provincial financial rules. Instead, the North Western Machinery Authority had repaired only a part of the equipment instead of repairing the entire parts and payments had not been made depending on the nature of individual repairs and a sum of Rs.4,213,536 had been paid to the North Western Machinery Authority treating that the entire repairs had been done.

6.5 Idle and Under Utilized Assets

The following observations are made.

Name of the Institution	Number of Assets	Value	Period Unused
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Provincial Health Services Department	Pharmaceuticals, surgery equipment, 253 types of consumable stock 01	11,974,316	-

Puttalam District Health Services office	vehicle Sodium Do Vide, 08 Vehicles	49,857	1 year
Kurunegala District Health Services office	21 Vehicles	-	-
Ridigama Hospital	Computer software system	188,000	1 ½ years
Mawathagama Hospital	Bio Chemistry Analyzer	31,500	-
Sandalankawa District Hospital	Cardiac Defibrillator	-	2 years
Nikawaratiya Bass Hospital	Air conditioner	-	3 months
Narammale Ayurveda Hospital	Intercom System	-	02 years
Department of Ayurveda	Ambulance	-	1 ½ years
Divisional Engineers office, Wennappuwa	01 vehicle	-	05 years
Chief Ministry	01 vehicle	-	01 year
Ministry of Social Welfare	14 water filter	-	01 year
	03 cupboard		01 ½ year
	33 white board		1 ½ years
Department of Child Care and Probationary Services	2 sets of computer accessories	-	-
Department	14 Machines		
	05 Printers		
	02 Pen drives		
	02 Brief cases		
	05 Electric Fans		
Department of Textile	01 vehicle	-	-
Department of Small Industries	01 Electric Hearth	528,500	01 year
	09 Training Centers		

An incinerator had been constructed on the upper floor of the 5 floor building by spending Rs.1,246,257 in 2011 to destroy clinical waste at the Kuliypitya hospital by setting fire. But, these activities had been stopped after setting fire to the waste for 14 days alone during the year 2012 as it was considered that it would damage the building as well as affect the environment.

6.6 Uneconomic Transactions

The following observations are made.

- (a) A sum of Rs.113,490 had been spent to purchase a mobile telephone to the Provincial Minister of Health in 2014.

- (b) The Ministry of Social Welfare had spent Rs.112,250 to provide meals to 59 media personnels of the North Western Province and the staff who participated at a media discussion on 18 July 2014.
- (c) A sum of Rs.65,820 had been spent from the funds of the Ministry of Social Services to print new year greeting cards for the personnel use of the Minister, to purchase stamps to post them and to broadcast the Minister's greetings in the special broadcast programme of Deyata Kirula.
- (d) The problem regarding the appointment of the Principals to the Ananda Notional School, Chilaw had not been solved. As such, 2 principals had reported at the Zonal office for over 3 months and a sum of Rs.320,070 had been paid to them as salaries, in vain.
- (e) An officer of the Sri Lanka Teachers' Service, Grade I had been posted to the Provincial Department of Education as a conciliatory Educational Teacher Consultant. However, it was observed in audit that the officer concerned had no work to perform within the office of the Department. He had been paid salaries amounting to Rs.1,635,454 for the period March 2012 to May 2015.

6.7 Identifies Losses

The following observations are made.

- (a) Subsistence and incidental allowances amounting to Rs.1,202,283 had been paid to 7 members including the Chairman of the Provincial Council to participate in an educational tour in Singapore and Thailand. In spite of this, the Secretary's office of the Council too had paid Rs.785,195 on behalf of them for hotel charges and other facilities.
- (b) It was observed at a comparison of the income and expenditure of the Wennapuwa Handicraft Exhibition organized by the Department of Small Industries and the Department of Textiles that a loss of Rs.966,345 had occurred to the Department.
- (c) It was decided to destroy and write off from the books the stock 45,862 units of stock valued at Rs.55,945, the period of validity of which had expired in 2012 and 2013 at the Rideegama District Hospital and action had not been taken to send the extra pharmaceuticals for the requirements of other hospitals.

- (d) Action had not been taken to destroy the stock of expired pharmaceuticals valued at Rs.41,942 revealed at the stores verification carried out at the Mawatagama District Hospital in 2012.
- (e) The insurance of the ambulance at the Provincial Department of Health had not been renewed before the period of expiry. As a result, the government had to incur the loss of Rs.203,800 caused to it due to an accident.
- (f) A sum of Rs.208,420 was recoverable from drivers with regard to accidents caused on 4 instances during the year 2013. This amount had not been recovered by the Provincial Department of Health even by end of the year under review.
- (g) It was observed at a physical audit verification carried out at the Narammala Ayurveda Hospital on 11 August 2013 that the period of validity of 14 bottles of Aravinda Aasavaya, 4 kg and 500 grammes of Katpaladi Choorneya and 8 kg. of sugar had expired.
- (h) Action had not been taken to recover the cash and stock shortages of Rs.2,625,554 from the then Textile Instructress who served as the officer in charge which remained recoverable from 2012 at the Godawela. Janasalu Centre.
- (i) A sum of Rs.595,031 was recoverable in connection with improper handling of stock, making fraudulent entries of balance in the stock book and hiding of stock of thread at the thread stores, Godawela belonging to the Department of Textiles and also it was decided to recover Rs.192,826 from the Instructress in connection with improper handling of stock of equipment at the thread stores. These had not been recovered from the Textile instructress even by end of the year under review.

6.8 Shortcomings in Contact Administration

 The following observations are made.

- (a) While estimating the work item named “wide ramp” for the Mahindodaya Teachers’ Rest Room constructed by the Divisional Engineers’ offices of Rideegama, Wariyapola, Maho and Kuliypitiya, the units mentioned in feet and inches had not been converted into metres and as such a sum of Rs.3,893,036 had been overpaid with reference to the estimated amount of 20 schools.
- (b) The North Western Department of Engineers had not properly planned the manholes required to facilitate the cleaning of sewage system at the computer

building of the Panadaragama Training School. As a result an extra work valued at Rs.59,856 had to be introduced.

6.9 Delayed Projects

A sum of Rs.1,000,000 had been provided by the Line Sports Development Department for a special Athletic Games Project on 21 August 2013. The Projects had been prepared to train male and female athletes at the rate of 40 and 50 persons at Puttalam and Kurunegala Districts during 2014. However, those projects had not been implemented.

6.10 Projects Executed at Land and Properties which had not been Properly Acquired

The following observations are made.

- (a) The land where the Mawatagama district hospital had been established and the land where the Sandalankawe district hospital had been established had not been vested with the Provincial Department of Health Services.
- (b) Action regarding vesting the lands of 9 ayurveda hospitals and 18 central dispensaries had not been completed even by the year 2014 and it was observed that it had affected the activities relating to repairs and development work in the buildings of those hospitals and dispensaries.
- (c) The Atamune Rural Development Training Institute was functioning in a land of 5 acres, 3 roods and 4 perches belonging to the Ministry of Social Welfare valued at Rs.30 million and those assets had not been acquired.

6.11 Staff Administration

The information relating to the approved and actual cadre of the Provincial Council as at 31 December 2014 is shown below.

- (a) Staff of Ministries, Department and Zonal offices
-

	Approved Cadre	Actual Cadre	No.of Vacancies	Surplus Cadre
	-----	-----	-----	-----
Senior Level	1,463	1,368	95	-
Tertiary Level	554	408	146	-
Secondary Level	9,500	7,203	2,297	-
Primary Level	4,535	4,126	409	-
Others	-	101	-	101
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Total	16,052	13,206	2,947	101
	=====	=====	=====	=====

(b) Staff of Schools (Except Zonal Offices)

	Approved Cadre	Actual Cadre	No.of Vacancies
Principals	1,915	1,231	684
Teachers	26,383	22,890	3,493
Minor Employees	2,563	1,937	626
Others	638	473	165
Total	31,499	26,531	4,968

(c) Staff of Ministries

	Approved Cadre	Actual Cadre	No.of Vacancies	Surplus Cadre
Private Secretaries	6	8	-	2
Co-ordinating Secretaries	8	9	-	1
Media Secretaries	5	6	-	1
Public Relations Officers	6	5	1	-
Private Assistants	6	6	-	-
Management Assistants	16	15	1	-
KKS	12	16	-	4
Others (Drivers)	24	187	-	163
Total	83	252	2	171

(d) Staff of Local Authorities (Provincial Council)

	Approved Cadre	Actual Cadre	No.of Vacancies	Surplus Cadre
Senior Level	28	20	8	-
Tertiary Level	47	19	28	-
Secondary Level	1,227	1,289	-	62
Primary Level	2,535	3,010	-	475
Others	-	387	-	387
Total	3,837	4,725	36	924

(e) Staff of Statutory Institutions (Provincial Council)

	Approved Cadre	Actual Cadre	No.of Vacancies	Surplus Cadre
Senior Level	20	10	10	-
Tertiary Level	23	8	15	-
Secondary Level	174	148	26	-
Primary Level	256	218	38	-
Others	-	51	-	51
Total	473	435	89	51

6.11.1 Observations relating to Staff of other Institutions Except Education and Health of the Provincial Council

The following observations are made.

- (a) Thirty six Commerce Graduates and 23 Arts Graduates had been assigned to the Provincial Department of Co-operative in 2013 under the programme for assigning graduates to state institutions. It was observed that the Arts Graduates had been engaged in the main function of the department that is, auditing co-operative societies and the department had to incur more time and cost on their training in order to attain its targets.
- (b) Although 12 Management Assistant Officers are required as per approved cadre of the Internal Audit-Department, only 7 officers were deployed even by 31 May 2015 and there was a shortage of 5 officers. Action had not been taken to recruit suitable officers in this regard.

6.11.2 Surpluses and Shortages of Teachers relating to Education, Assignments

The following observations are made.

- (a) While assigning school assistants to the schools belonging to the Provincial Department of Education, they had not been assigned on the basis of necessity or the number of students. The ratio of assignments to schools ranged from 1:161 and 1:1398 of the ratio of students in schools.
- (b) There were instances where Lower Graded Principals were on duty in 337 schools belonging to the Provincial Department of Education instead of Graded Principals whereas there were instances where Graded Principals of Higher Grades were on duty in 206 schools where Graded Principals were needed.

- (c) It was observed that instead of Graded Deputy Principals, there were graded principals of low gradeds in 10 schools belonging to the Provincial Department of Education and Graded Deputy Principals had not been assigned to 150 other schools which needed Graded Deputy Principals.
- (d) It was observed that there were Acting Principals in 147 schools belonging to the Department and there were no Principals in 112 schools.
- (c) Action had not been taken to fill 257 vacancies of subordinate staff by the year under review. Action had not been taken to obtain proper approval for the 80 surplus employees of primary level who had been recruited.
- (f) Action had not been taken to fill vacancies in 4,968 posts of the school staff by the end of the year under review.

6.11.3 Surpluses or Shortages in each Service of the Health Sector

 The following observations are made.

- (a) The Institution had not taken action to fill 1,577 vacancies by end of the year under review.
- (b) There were 6 Medical Officers in excess than the approved cadre at the Rideegama District Hospital. In spite of this, a sum of Rs.1,061,980 had been paid as overtime for 895,1000 and 930 hours respectively for the months February, March and April 2014.
- (c) There were 11 vacancies for officers belonging to 10 posts and 25 officers were in excess pertaining to 7 posts at the Mawatagama District Hospital.
- (d) There were 8 vacancies for officers belonging to 4 posts and 2 officers were in excess pertaining to 2 posts at the Nickawaratiya Base Hospital.
- (e) There were 5 vacancies of pharmacists at the Provincial Department of Ayurveda. It was observed in audit that ordinary labourers had attended to duties which should have been attended to by pharmacists with special knowledge and training.

6.12 Bank Reconciliations

The following observations are made.

- (a) Cheques valued at Rs.1,750,682 exceeding 6 months from their dates of issues were in existence by end of the year under review in 18 bank accounts of 02 departments and a Divisional Secretariat. Action had not been taken in terms of Provincial Financial Rule 283 in this regard.
- (b) Unidentified debits of Rs.29,651 in 7 bank accounts and unidentified credits of Rs.252,088 in 6 bank accounts of the Provincial Department of Education were observed as at end of the year under review. Action had not been taken to settle them.

07. Accountability and Good Governance

7.1 Internal Audit

Internal audit units had not been established in any of the institutions under the North Western Provincial Council.

7.2 Audit and Management Committees

Audit and Management Committees had not been established in the institutions such as the Ministry of Social Welfare, Office of the Governor, Department of Small Industries, Provincial Department of Revenue, Provincial Department of Internal Audit and Provincial Department of Education.

08. Systems and Controls

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

- (a) Accounting and Collection of Revenue
- (b) Assets and Human Resources Management
- (c) Execution of Contracts and Payments
- (d) Execution of Projects
- (e) Financial Activities and Operating Control in Institutions Established under Statutes
- (f) Vehicle Utilization