

Western Provincial Council - 2015

The audit of financial statements of the Western Provincial Council for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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. A detailed report to be tabled in the Provincial Council on the observations appear in this report will be issued in due course.

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 Auditing 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 judgement, 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 managements, 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 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 Western Provincial Council as at 31 December 2015 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 Provincial Council Fund Account for the year under review had been presented to audit on 30 March 2016.

2.2.2 Other Accounts

The position of presentation of other accounts of the Provincial Council for the year under review as at 15 July 2016 is given below.

Relating to the year 2015

	Total Number of Accounts	Number of Accounts Presented	Number of Accounts Presented	of not
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(i) Appropriation Accounts	27	27	-	
(ii) Revenue Accounts	30	30	-	
(iii) Advances to Provincial Public Officers Accounts	27	27	-	
(iv) Commercial Advance Accounts	02	01	01	
(v) Other Advance Accounts	06	06	-	
(vi) Fund Accounts	05	05	-	
(vii) Statute Accounts	09	04	05	
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Total	106	100	06	
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2.2.3 Accounting Policies

According to the Accounting Policies of the financial statements prepared, the Fixed Assets and the arrears of revenue had not been disclosed in the financial statements. But according to the Expenditure Heads, there were Fixed Assets amounting to Rs.2,899,489,138 and according to the Revenue Codes, arrears of revenue amounting to Rs.8,276,882,994 had remained as at the end of the year under review.

2.2.4 Utilisation of Funds

The following observations are made.

- (a) The entire provision of Rs.5,624,100 estimated for 12 Objects of 05 Heads of Expenditure of the Provincial Ministries and Departments had been saved.
- (b) A sum of Rs.219,372,884 or over 50 per cent had been saved from net provisions under 05 Heads of Expenditure in 24 instances.
- (c) Even though the Maximum Expenditure Limit of Rs.03 million and Maximum Debit Balance Limit of Rs.04 million had been authorized for the Accounting of Cash and Stamp Losses Advance Account Item No.10903, no need had been arisen to grant advances from that during the year. An advance of Rs.915,786 granted to Divisional Secretariat, Mahara in the year 2014 under above Advance Account had not been settled even up to end of the year under review.
- (d) The Advance Account for Grant Motor Bicycle Loans to Internal Audit Officers, Item No.10904 had been commenced in the year 2013 and the Maximum Expenditure Limit authorized from that date totalled Rs.2,850,000. Nevertheless, none of the loans had been granted up to the end of the year under review.

2.2.5 Unreconciliations

The unreconciliations amounting to Rs.6,122,459 had remained between the balances of Departmental books and Provincial Treasury books under the General Deposit balance relating to the Department of Local Government as at the end of the year under review.

2.2.6 Imprests

According to the Provincial Treasury Books, the unsettled Imprest balances relating to 10 institutions by the end of the year under review totalled Rs.410,812,351. That balance had consisted with the debit balances totalling Rs.409,487,380 relating to 07 institutions and the credit balances totalling Rs.1,324,971 relating to 03 institutions.

2.2.7 Remittances

According to the Provincial Treasury Books, the unsettled Remittance balances relating to 08 institutions by the end of the year under review totalled Rs.59,156,435. That balance had consisted with the debit balances totalling Rs.58,921,935 relating to 06 institutions and credit balances totalling Rs.234,500 relating to 02 institutions.

2.2.8 Advance Accounts

The following observations are made.

- (a) Even though the Maximum Debit Balance Limit of the Seeds and Planting Material Advance Account of the Department of Agriculture, Item No.12002 had been Rs.2,290,000, that value according to the Provincial Treasury Books had been a credit balance of Rs.7,089,274.
- (b) The outstanding loan balances as at the end of the year under review relating to 25 Advance Accounts to Provincial Officers and 02 Advance Accounts to Provincial Members totalled Rs.267,807,061. Out of that, the unrecovered balances for over one year totalled Rs.188,944,846 and Rs.41,113 respectively.
- (c) The unsettled balances of loans and advances of Provincial Council Officers remained outstanding since preceding years relating to 05 Divisional Secretariats totalled Rs.303,954.

2.2.9 Accounts Receivable and Payable

The following observations are made.

- (a) The value of the no-pay leave recoverable by the end of the year under review from the teachers and the officers in the area of the Colombo Zonal Education Office amounted to Rs.864,837.
- (b) Unspent Quality Inputs amounting to Rs.8,364,199 as at 31 December 2014 in the schools of Colombo Zonal Education Office had been brought to account as General Deposits obtained from the schools in the Zonal Offices in the year 2015. Out of that a sum of Rs.5,160,980 only had been spent as at 31 December 2015.
- (c) The value of the unsettled deposits relating to 06 institutions, deposited for over 02 years amounted to Rs.13,946,066.

2.2.10 Lack of Evidence for Audit

Adequate evidence/ particulars relating to following matters had not been furnished.

- (a) Goods Received Notes (GRN) and Goods Issuing Notes (GIN) relating to the goods purchased amounting to Rs.3,045,325 by the Colombo Zonal Education Office under the Provincial Specific Development Grants and the goods purchased amounting to

Rs.2,162,172 by the Colombo Zonal Education Office under the Criteria Based Grants had not been furnished to audit.

- (b) Replies to 48 audit queries relating to 07 institutions as at 30 June 2016 had not been furnished.

2.2.11 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliances with laws, rules, regulations and management decisions were observed.

(a) Financial Rules of the Provincial Council of Western Province – 2008

- (i) Even though the amount for which the voucher is drawn should be entered in words as well as in figures in terms of the Provincial Financial Rules 157 (2), the amount had not been entered in words on about Rs.1,000 payment vouchers of the Department of Motor Traffic.
- (ii) Even though all vouchers must be certified by the Certifying Officer in terms of the Provincial Financial Rules 169 (1) and 177, six vouchers of the Ministry of Education, Cultural and Arts, Sports and Youth Affairs and Information Technology valued at Rs.4,393,947 had been paid without being certified.
- (iii) The Boards of Survey of the Colombo Zonal Education Office for the years 2014 and 2015 had not been conducted in terms of the Provincial Financial Rule 476.

(b) Circular No.7/2013 of the Secretary of the Ministry of Education dated 28 November 2013

According to the cash book of the School Development Society of Gnanodaya Vidyalaya of the Kalutara Educational Zone, there was a cash balance of Rs.3,270,188 as at the end of the year 2015. In addition to this, monthly cash balances ranging from Rs.3,690,207 to Rs.6,783,750 were being retained in hand relating to the account of the School Development Society of the WP/Gam/ Bandarwatta Parakrama Maha Vidyalaya. Actions in terms of the provisions of the above Circular, had not been taken to invest this money in Fixed Deposits.

(c) Pre - school Statute No.01 of 2013

- (i) According to the provisions of the Statute, action should be taken to register, all pre – schools conducted in the Western Province and should have been maintain an information data base. Nevertheless it was revealed during audit test check, that the number of unregistered pre- schools in the Western Province as above, had been 381 by November 2015.

- (ii) According to the provisions of Section 6 of the Part III of the Statute, a Pre School Advisory Committee should be appointed by the Minister of Education, such a committee had not been appointed even by 28 January 2016, the date of audit.
- (iii) According to the provisions of the Section II of the Part IV of the Statute, a fund named as Pre-School Development Fund should be established. Nevertheless, such a fund had not been established even by 28 January 2016, the date of audit.

(d) Circular No.35/ 2014 (1) of the Secretary of the Ministry of Education dated 05 December 2014

 According to the provisions of the Circular, the absorption of teachers according to the grades in terms of the Sri Lanka Teachers Service Statute, should have been completed by 31 August 2015. Nevertheless the number of teachers should be absorbed further, by the end of the year under review in the Colombo Educational Zone amounted to 523.

(e) Government Procurement Guidelines 2006

 After making the payment to cover VAT, details of such payment made to suppliers of goods and services, shall be informed to the Commissioner General of Inland Revenue with a copy to the Auditor General on or before the 15th day of the following month in terms of the Provisions of the Guideline 5.4.12. Nevertheless, action had not been taken by the District Hospital, Gampaha to forward those particulars relating to VAT payments made.

2.2.12 Transactions without Adequate Authority

 When remitted the charges to the Provincial Director of Health Services recovered by the Regulatory Commission of Private Medical Services, on behalf of the Registration and renewal of Registration of the Private Medical Institutions, a sum of Rs.480,000 had been deducted from those amounts as the salary of a doctor. An approval of the Provincial Council or Department of Management Services had not been furnished for making direct expenses from the revenue receivable to the Provincial Council.

3. Revenue Management

3.1 Estimated Revenue and Actual Revenue

 The estimated and actual revenue of the Provincial Council for the year under review and 04 preceding years are as follows.

Year	Estimated Revenue		Actual Revenue	
	Tax Revenue	Non – tax Revenue	Tax Revenue	Non – tax Revenue
	Rs.000'	Rs.000'	Rs.000'	Rs.000'
2011	19,952,560	1,855,488	21,669,946	2,847,473
2012	23,046,025	2,832,661	22,156,277	3,947,232

2013	27,302,025	2,815,230	22,262,325	3,259,241
2014	28,284,973	2,992,291	28,112,653	2,979,182
2015	33,130,020	2,760,154	31,540,490	3,268,552

3.2 Revenue Code No 20 – 02 – 01 - 03 Provincial Land Commissioner

The following observations are made.

- (a) A land in extent of 02 Acres 01 Rood and 10 perches in the area of Divisional Secretariat, Dodangoda had been leased out to a Private institution for a period of 30 years and the outstanding lease amount by the end of the year under review had been Rs.254,100.
- (b) A land of the Highlevel Road, Nugegoda belonging to the Divisional Secretariat, Dehiwala had been leased out for a period of 30 years in the year 2000 on a long term lease deed. According to the said lease agreement, the lease amount should be assessed by the lessor once in 05 years for an amount of not less than 50 per cent and should be recovered. Accordingly, a revision of the lease amount had not been done in the years 2005 and 2010, while the outstanding amount of the lease by 30 October 2015 had been Rs.1,342,234.
- (c) Twenty four blocks of land in the area of the Divisional Secretariat, Ja- Ela were approved to give on long term lease basis for 23 persons from the year 2000. But action had not been taken to recover lease amounts by obtaining Government assessment for lands of 17 persons out of that even by April 2016. An outstanding lease amount of Rs.3,483,000 had remained outstanding relating to other assessed 07 blocks of land by April 2016, the date of audit.
- (d) A lease amount of Rs.210,000 had not been recovered due to under computation of annual lease rental by Rs.7,000 in computation of rental for the block number 09 of the deed No. ඉ.පි.කො.509 of the Ja-ela Waththa Scheme in the area of the Divisional Secretariat, Ja - Ela.
- (e) The land in extent of 4.209 hectares situated in the Thalagolla Village, Ragama in the area of the Divisional Secretariat, Ja - Ela had been leased out to Colombo North Medical College for 30 years in the year 1981. After transferring the Medical College to Kelaniya University, this plot of land had been deployed for the Medical Faculty of the Kelaniya University. Even though the agreed lease period had been ended in May 2011 the lease income as due could not be recovered for 04 ½ years due to not taking action to extend the lease agreement.
- (f) A portion of land in extent of 156 perches out of the Government Land in which the “Ragama Preethipura Childrens Home” situated in the area of the Divisional Secretariat, Ja-Ela had been given to Colombo North Water Supply Project on long term lease basis from the year 2008. But the assessment of lease and recovery of lease, relating to the land had not been made even up to the end of the year under review.
- (g) A land with an extent of 80 perches situated in the area of Divisional Secretariat, Mahara which decided to leased out to a Private Company for 50 years had been transferred to the company in the year 2007. A lease amount of Rs.3,200,000 to be recovered from the date of

transferring the title had been deprived by the Provincial Council due to non – completion of the activities relating to the lease even by the end of the year under review.

- (h) A land situated in the area of the Divisional Secretariat, Mahara in extent of 49.5 perches which deeded to leased out to a Private Company for 30 years had been transferred to the company in the year 2007. But lease amount of Rs.2,495,000 to be recovered from the date of transfer the title had been deprived by the Provincial Council due to non – completion of the lease activities relating to the lease even by the end of the year under review.
- (i) A land with an extent of 0.1091 hectares situated in the area of the Divisional Secretariat, Mahara which decided to leased out to the International Lions Club had been transferred in the year 2007. But due to non – completion of the activities relating to the lease even up to the end of the year under review, a lease amount of Rs.4,840,000 which could be recovered from the date of transferring the title had been deprived by the Provincial Council.
- (j) A land with an extent of 80 perches situated in the area of the Divisional Secretariat, Mahara which decided to leased out to a private company for 50 years had been transferred to that company in the year 2007. As the company had not commenced such businesses even up to the end of the year under review, the lease rentals to be recovered by the Provincial Council could not be recovered.
- (k) A land with an extent of 0.2178 hectares situated in the area of the Divisional Secretariat, Mahara which decided to leased out for a Co-operative Society to construct a hospital had been allocated to the relevant society in the year 2007. As non- commencement of that hospital even up to the end of the year under review, the lease rentals to be recovered by the Provincial Council could not be recovered.
- (l) The outstanding lease rentals from leased out Government lands on annual licences to be recovered from 51 lease holders in the area of the Divisional Secretariat, Wattala had been Rs.435,049.
- (m) The lease rental to be recovered up to the end of the year under review from 03 institutions for leasehold lands given on long term basis in the area of the Divisional Secretariat, Mahara had been to Rs.1,314,500.

3.3 Revenue Code No.10 – 02 – 04 – 05 - Provincial Commissioner of Revenue

The following observations are made.

- (a) According to the Notification No.973 of 13 February 2015, Excise Duty License Charges of Rs.750,000 to be recovered on behalf of 04 institutions situated in the area of Divisional Secretariat, Wattala had not been recovered.
- (b) In terms of the Circular No.EC/G/R/L/2009 of Commissioner of Excise Duty dated 25 August 2009, the license fees of Rs.300,000 to be recovered from an institution situated in the area of Divisional Secretariat, Gampaha had not been recovered.

- (c) According to the Excise Duty Notification No.974 published in the Government Gazette No.0901/19 dated 13 February 2015, the revised license fees due for the year 2015 should be paid and finalised before 31 March 2015. But Excise Duty license fees of Rs.1,086,665 to be recovered from 09 institutions in the area of the Divisional Secretariat, Kesbewa and Rs.586,000 to be recovered from 03 institutions in the area of Divisional Secretariat, Homagama had not been recovered. Similarly, the arrears of Excise Duty License Fees relating to 02 institutions in the area of Divisional Secretariat, Kesbewa and 02 institutions in the area of Divisional Secretariat, Moratuwa had not been computed.

3.4 Revenue Code No.10 – 03 – 07-01 Provincial Director of Health Services

In terms of the Registration of Private Nursing Homes, Act No.21 of 2006 and as required by the Extra Ordinary Gazette Notification of 22 March 2007, fifty per cent of the Registration fees of Private Medical Institutions should be receivable to the above Revenue Code of Provincial Council. Nevertheless, it was observed in audit that, the revenue of Rs.2,131,750 relating to the year under review had not been received by the Provincial Council.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, the surplus of the Provincial Council Fund for the year ended 31 December 2015 amounted to Rs.1,846,284,700 as against the deficit for the preceding year amounted to Rs.47,191,903 as follows.

	2015 ----- Rs.	2014 ----- Rs.	Variance ----- Rs.
Revenue -----			
Tax	31,540,489,688	28,112,652,917	3,427,836,771
Non – Tax	3,268,551,781	2,979,181,771	289,370,010
Government Grant –			
Recurrent	18,842,196,000	11,699,313,000	7,142,883,000
Capital	2,912,561,610	1,607,184,120	1,305,377,490
	-----	-----	-----
Total	56,563,799,079	44,398,331,808	12,165,467,271
	=====	=====	=====
Expenditure -----			
Personal Emoluments	32,301,076,443	25,119,406,935	7,181,669,508
Other Recurrent	17,132,714,424	13,462,640,733	3,670,073,691
Capital (Provincial Investment)	5,283,723,512	5,863,476,043	(579,752,531)
	-----	-----	-----
Total	54,717,514,379	44,445,523,711	10,271,990,668
	=====	=====	=====
Excess/ Deficit	1,846,284,700	(47,191,903)	1,893,476,603

4.2 Analytical Financial Review

The following observations are made.

- (a) The Government grant increased by Rs.8,448,260,490 and the Provincial Investments decreased by Rs.579,752,531 had mainly attributed to the increase of surplus by Rs.1,893,476,603 as compared with the preceding year.
- (b) Out of the total revenue of Rs.56,563,799,079 in respect of the year under review of the Provincial Council, 61 per cent or, Rs.34,809,041,469 had been from the generated revenue of the Council and 39 per cent or Rs.21,754,757,610 had been the Government Grant.
- (c) Out of the total expenditure of the Provincial Council amounting to Rs.54,717,514,379 in respect of the year under review 90 per cent or Rs.49,433,790,867 had been the Recurrent Expenditure and 10 per cent or Rs.5,283,723,512 had been the Capital Expenditure.
- (d) Under the Government grant, the recurrent grant had increased by 38 per cent or Rs.7,142,883,000 and capital grant had increased by 49 per cent or Rs.1,305,377,490 as compared with the preceding year.
- (e) Under the Expenditure, the recurrent expenditure as compared with the preceding year had increased by 22 per cent or Rs.10,851,743,199 and the capital expenditure (Provincial Investments) had decreased by 11 per cent or Rs.579,752,531.

4.3 Working Capital Management

Balances amounting to Rs.749,465,748 in 2 Bank current accounts and a balance amounting to Rs.7,250,000,000 under Short Term Investments had remained as at the end of the year under review.

5. Authority Accounts and Fund Accounts

5.1 Economic Promotion Bureau

The following observations are made.

- (a) According to the recruitment procedure for the Post of Chief Executive Officer/ Director, it was stipulated that there should be a Master of Science/ Master of Arts Degree with a first degree in the relevant field from a University recognized by the University Grants Commission or should have been obtained the Associate Membership of a recognized Professional Institution. Nevertheless, it was not ensured in audit whether the officer recruited on contract basis for this post on 01 July 2011 and confirmed in the above post from 02 May 2014 had completed the required qualifications for that Post.
- (b) A discussion on Economic Promotion of the Western Province had been planned by the Economic Promotion Bureau and had been held in Australia from 07 to 20 October 2014 by incurring an expenditure of Rs.7,347,866. Seven officers including Legal officer of the Ministry of Education and Private Secretary of the then Chief Minister had participated for

this tour and a sum of Rs.1,800,000 approximately had been incurred for above two officers. An acceptable reason relating to the contribution gained for the Provincial Development from this tour and the need for the participation of the Private Secretary of the Chief Minister and the legal officer of the Ministry of Education was not made available for audit.

- (c) The Project of “Sarudam Arunella” had been implemented as a project for the provision of Sanitation and Common Amenities to the Damma Schools maintained in the religious places of the Western Province, and a sum of Rs.261,114,300 had been received by the Authority under Expenditure Head of Chief Secretary to implement the Stage II of the Project. It was observed in audit that an expenditure of Rs.16,843,574 had been incurred for Advertising and Entertainment activities contrary to the prime objective of the project.

5.2 Industries Development Authority

The following observations are made.

- (a) An unauthorized pre-school was being maintained in a section of the building of which the “Project of Individual Skills and Development Skills” maintained by the Authority.
- (b) The project of “Timber Products Finishing Centre in Daltara, Piliyandala” implemented under the Authority had been commenced in the year 2012 and a sum of Rs.2,578,203 had been incurred for constructions and equipment. Even though the objective of this project was to utilize this centre as a finishing centre of timber products of low income timber industrialists, these activities had not been carried out even up to the end of the year under review.

5.3 Tourist Board

The following observations are made.

- (a) The construction of Coastal Park in Eththukala, Negambo had been commenced by the Tourist Board in the year 2010, and an expenditure of Rs.165,921,430 had been incurred by the end of the year under review. This park had not been utilized for a useful activity even by the end of the year under review.
- (b) Two hundred T shirts had been purchased by the Tourist Board to the value of Rs.170,000 in the year 2015 for the arrival of the Pope to Sri Lanka, but those had not been entered in to the Stock Register. Similarly, the details relating to the distribution of T shirts and the approval obtained had not been made available for audit.
- (c) Thousand Caps had been purchased at Rs.240,000 on behalf of the “Blue Flag Day” conducted by the Oceanic Environment Protection Project under the Ministry of Mahaweli Development and Environment according to the request made by the Authority and provided to the Authority. The approval obtained thereon or particulars relating to the necessity was not made available for audit.

5.4 Aesthetic Institutions Control Authority

The following observations are made.

- (a) A sum of Rs.576,400 had been allocated to train 75 students for six months training course of skills development of apprentices who has dancing skills, implemented by the Authority. But the approval for this project had been delayed up to 20 July 2015 and the project could not be commenced.
- (b) The value of the unsettled deposits exceeded for over 02 years in the Deposit Account of the Authority amounted to Rs.1,117,100.
- (c) Even though equipment valued at Rs.545,000 had been installed for cleaning of 02 ponds situated in the premises of the Authority in the year 2012, the cleaning work of the ponds had not been carried out from the year 2012 due to not in working order of these equipment.

5.5 Waste Management Authority

The following observations are made.

- (a) A sum of Rs.356,000 had been over paid by the Authority in payment of Value Added Tax (VAT) to the Commissioner General of Inland Revenue in the year 2014, but action had not been taken to settle that amount.
- (b) A sum of Rs.291,350 had been spent in 02 instances in the year 2014 for activities extraneous to the objectives of the Authority while an approval obtained thereon was not made available.
- (c) The motor vehicles given by the Authority to Local Authorities had not been legally transferred and as such a sum of Rs.1,364,806 had been spent from Authority Funds to insure those motor vehicles in the year 2014.
- (d) Due to delay in the payment of compensation for the land vested for the “Project of Power Generating through Waste Disposal at Karadiyana” planned by the Authority, a sum of Rs.796,493 had to be paid as interest in the year 2014. Even though an agreement had been entered into with a private institution to commence the above project in this land vested in the year 2011, the project had not been implemented even up to end of the year under review.
- (e) A land called “Mikewatta” in Korathota, Kaduwela situated in the area of Divisional Secretariat, Kaduwela had been vested by the Authority in the year 2012 for a project of “Power Generating through Waste Disposal”. But the project had not been implemented even up to the end of the year under review, and a sum of Rs.1,371,475 had been incurred for water, electricity, and security expenses of the land in the year 2014 only.

5.6 Provincial Road Development Authority

The following observations are made.

- (a) A sum of Rs.2,135,454 recoverable charges had remained without being recovered for over 05 years in respect of the repairs of the vehicles of Government institutions and a sum of Rs.2,743,150 had remained recoverable for the period ranging from 03 years to 05 years. Similarly rental charges of the machinery amounting to Rs.31,954,883 had been remained un recovered for over a period of 05 years.
- (b) The Dual Purpose Semi Luxury Tax to be paid in terms of the Finance Acts No.15 of 2011 and No.12 of 2012 amounting to Rs.414,000 had not been paid for 14 motor vehicles purchased by the Authority in the years 2011 and 2013.
- (c) Even though in terms of the Provincial Financial Rule 261, the ad-hoc sub imprests granted should be settled immediately after completion of the purpose, the imprests granted in 20 instances in the years 2011, 2012 and 2013 amounting to Rs.10,352,345 had not been settled even by August 2015 the date of audit. Similarly, a sum of Rs.3,729,638 had been paid as advances from the funds of the Authority in 06 instances for the activities extraneous to the objectives of the Authority.
- (d) According to the Public Finance Circular No.353 (5) of 31 August 2004, the maximum rental without VAT could be paid for the vehicles obtained on hire basis had been Rs.40,000. Nevertheless, a sum of Rs.2,210,000 had been overpaid for 18 vehicles obtained on hire basis for a monthly rental ranging from Rs.50,000 to Rs.100,000 in the year 2013.
- (e) The vehicle No.WP/PA – 1694 belonging to the Authority which met with an accident had been given for repairs to a private institution on 03 July 2013 on an estimate amounting to Rs.572,625 without inviting proper quotations. Even though this vehicle had not been repaired and handed over to the Authority even by July 2016, the date of audit, the amount of Rs.331,290 received as insurance indemnity on behalf of the accident had been given to the above institution in June 2013.
- (f) Two concrete layer machines purchased in the year 2012 by spending Rs.158,030,625 by the Authority had not been utilized for any road construction work. Similarly, the Cuber Machine purchased by spending Rs.6,202,329 in the year 2012 had been stored in the Diulapitiya Concrete Yard without being assembled even by November 2014. Nevertheless, the Authority had spent a sum of Rs.750,915 annually to insure these machines.
- (g) Station Transfer Policy had not been duly implemented by the Authority, and 133 officers, 52 officers, 16 officers and 03 officers had been deployed in the same place and in same subject for the periods from 05 years to 10 years, 11 years to 15 years, 16 years to 20 years and over 20 years respectively.

5.7 Information Technology Resources Development Institute

Due to non – payment of contributions to the Employees Provident Fund from August 2010 to July 2014, sums of Rs.654,617 and Rs.277,472 had been paid by the Institution in the year 2014 as arrears of contribution and surcharges respectively. Action also had not been taken to recover the contributions which included in the arrears of contribution of the employees amounting to Rs.261,846.

5.8 Passenger Transport Authority

The following observations are made.

- (a) Even though the Bus stand, Kadawatha had been constructed on the concurrence made with the Urban Development Authority in the year 2012, the land had not been vested with the Authority even by the end of the year under review.
- (b) Three officers of the Authority had used 2,249 fuel litres in the year 2014, exceeding the fuel limits stipulated in the Public Administration Circular No.13/2008 (iv) of 09 February 2011.
- (c) An arrears of shop rent from 44 shops in 04 bus stands rented out by the Authority amounting to Rs.6,384,672 had to be recovered as at the end of year under review.

6. Operating Review

6.1 Performance

6.1.1 Government Grant

The Government Grant received for Development work of the province for the year under review and utilization of the grants had been as follows.

Source	Approved Amount	Expenditure	Under -utilisation
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	Rs.Millions	Rs.Millions	Rs.Millions
(i) Provincial Specific Grants	1,338.26	1,195.95	142.31
(ii) Provincial Development Grants	1,637.77	1,399.98	237.79
(iii) Criteria Based Divisional Secretariat Programme	499.38	458.40	40.98
(iv) Special Sector Development Grant – Health	375.88	332.51	43.37
(v) Special Sector Development Grant- Education	286.05	234.02	52.03
Total	4,137.34	3,620.86	516.48
	=====	=====	=====

6.1.2 Provincial Development Plan

Under the Provincial Development Plan for the year under review 7,968 work proposals at an estimated cost of Rs. 4,323.60 million had been approved for new works and continued works. The progress of those proposals according to the progress report of the Provincial Council had been as follows.

Particulars	New Works	Continued Works	Total Number of Work Proposals	Total Estimated Value of the Works
				Rs.Millions
(i) Fully Completed	7,129	195	7,324	4,010.49
(ii) Completed less than 50 per cent	130	-	130	79.48
(iii) Completed more than 50 per cent	36	-	36	64.83
(iv) Not commenced	434	16	450	161.40
(v) Under Contentious Nature/ Questionable position	28	-	28	7.40
Total	7,757	211	7,968	4,323.60

6.2 Management Inefficiencies

The following observations are made.

- (a) An officer employed in the Ministry of Land, Education, Local Government, Man Power and Employment and Information, who had completed the foreign holiday leave period on 09 September 2015 had not reported for work even by the end of the year under review. According to the letter of the Secretary to the Ministry dated 09 March 2016 it was informed that action would be taken to recover the amount recoverable to Government amounting to Rs.981,800 according to the agreement signed in terms of the provisions of the Establishments Code. Nevertheless, said amount had not been recovered even up to May 2016.
- (b) A workshop of drama had been arranged to train 75 dramatists under the provisions of the Ministry of Education, Cultural Affairs and Arts, Sports and Youth Affairs and Information Technology amounting to Rs.1,500,000. However, 38 dramatists only had participated thereon while cash rewards amounting to Rs.150,000 had been granted to 06 persons also who had not participated for the drama workshop. Further, the Ministry had incurred a sum of Rs.810,250 in November 2015 to grant cash rewards for 1,128 winners of the Sports Festival of Western Province – 2015. Nevertheless the cash rewards of Rs.398,750 had been granted only for 487 winners even by February 2016, the date of audit.
- (c) Even though there were 283 institutions including Provincial Council Schools, Teachers Centres, Computer Centres, Development Centres, Divisional Education Offices under the

Kelaniya and Minuwangoda Zonal Education Offices in the Gampaha District, the surveys for the year under review had been completed only for 87 institutions.

- (d) Six hundred and forty seven units of 19 items of goods purchased for the Projects in the year 2014 by 03 institutions valued at Rs.525,225 had not been distributed even by March 2016.
- (e) Even though the salary arrears for 3,856 teachers in the Zonal Education Office, Kelaniya should be computed, the salary arrears for 2,664 teachers had not been computed even by the end of the year under review.
- (f) A sum of Rs.228,986 had been overpaid as subsistence for the foreign tour participated by the Minister of Education, Cultural Affairs and Arts, Sports and Youth Affairs and Information Technology in June 2015. Even though it was informed to recover this amount by the letter of the Secretary of the Ministry dated 03 August 2015, the said amount had not been recovered even by June 2016.
- (g) The Animal Farming Training Centre of the Department of Animal Production and Health had consisted with residential facilities for 25 persons, but no residential workshop whatsoever had been conducted for the years 2014 and 2015.
- (h) A sum of Rs.1,009,233 received in the year 2011 from the Provincial Treasury to purchase a vehicle to the Ministry of Roads, Transport, Co-operative Development and Trade, Housing and Constructions, Estate Infrastructure Facilities, Industries and Rural Development had remained under deposits, while the purchase of the vehicle had not been made even by the end of the year under review.

6.3 Operating Inefficiencies

The following observations are made.

- (a) Even though a stock of 1000 “Promathasing” tablets received to the stores in October 2014 which were due to be expired in October 2015 had remained in the stores of the office of the Medical Officer of Health, Mirigama, another stock of 500 tablets had been obtained again on 30 January 2015. Further 259 DPT Injection Doses which were expired in March 2015 had remained in the stores.
- (b) Sixteen Oxygen cylinders which required only for surgeries had remained underutilized for a long period in the Meerigama Base Hospital as the surgeries are not functioned by the Hospital.
- (c) Even though the District Hospital, Gampaha had estimated 12,000 Enoxaparin which is a necessary drug for heart patients in the year 2015, only a stock of 1,450 had been received for first 03 months itself. As above drugs were not sufficient for the requirement of the hospital a sum of Rs.525,110 had been incurred to purchase 317 injections at the rate of Rs.1,656.50 per injection from local purchases. Similarly it was observed that the hospital had not used 695 bottles of Dextron 40 percent valued at Rs.1,211,016 since February 2014 which obtained to supply for Dengue patients in the year 2014.

6.4 Transactions of Contentious Nature

The following observations are made.

- (a) A provision of Rs.13,000,000 had been allocated under 100 days Provincial Specific Development Programme to office of the Regional Director of Health Services, Kalutara and out of that a sum of Rs.3,487,735 had been incurred for the activities extrenous to the objectives. In addition to that, out of the provisions of Rs.7,750,000 received under the Western Provincial Development Grant a sum of Rs.857,029 had been incurred to the activities extrenous to the objectives of the Project.
- (b) Out of the provisions of Rs.102,662,558 received during the year under review to the Regional Director of Health Services, Panadura under the Word Bank Loan Aid, a sum of Rs.3,933,044 had been incurred in 05 instances for the activities extrenous to the objectives.
- (c) A driver attached to the District Agri Training Centre, Homagama had been deployed in the personal staff of the Minister of Agriculture, Agrarian Development, Small Irrigation Industries, Environmental Activities, Cultural Affairs and Arts and a sum of Rs.408,940 had been paid as salaries and allowances for the year under review.
- (d) Despite the Government Press and a press belonging to the Provincial Council had been made available, 1,500,000 Vehicle Revenue Licenses had been printed by the Department of Motor Traffic through a private institution by spending Rs.3,645,000.
- (e) The canteen of the District Hospital, Gampaha had been rented out to the same contractor at a monthly rental of Rs.50,000 from June 2007 without inviting tenders annually. Similarly, it was revealed in audit that the payment for water supply to the canteen had also been paid by the water bill of the hospital.

6.5 Apparent Irregularities

The following observations are made.

- (a) The lease holder of the land called Gallenayalanda in extent of 11 Acres and 26 Perches belonging to the Provincial Council situated in Grama Niladhari Division of Dodangoda North in the Divisional Secretariat, Dodangoda had sold by the said land for 20 persons by making forge deeds.
- (b) Four cheques valued at Rs.1,692,800 given by the Private Medical Services Regulatory Commission to Provincial Director of Health Services on behalf of the revenue belonging to the Provincial Council as Private Medical Service Charges in respect of the years 2011 and 2012 had not been taken to the Provincial Council revenue. No information had been made available to audit for what purpose these cheques had been used.

6.6 Under-utilisation of Funds

The following observations are made.

- (a) There were 36 schools which were not utilized the quality input cash in the Negombo Educational Zone and 14 schools out of that Rs.28,778 only had been used out of the cash received amounting to Rs.3,232,138 even by August of the year under review, at the time of audit.
- (b) Even though a sum of Rs.760,998 had been received from the National Health Development Fund to construct a new laboratory of the Dompe hospital belonging to the office of the District Director of Health Services Gampaha, above project had not been commenced even by the end of the year under review.

6.7 Idle and Under-utilized Assets

The following observations are made.

- (a) It was observed on the spot check carried out on 19 October 2015, that the Aquwa Culture Centre, Pitipana for which incurred an expenditure of Rs.29,918,786 during the period from 2010 to 2014 under the provisions of the Ministry of Fisheries, Roads, Transport, Co-operative Development and Trade, Housing and Construction, Estate Infrastructure, Industries and Rural Development had remained inoperative at present. Further, it was identified that the 68 Fish breeding tanks constructed by spending Rs.6,003,961 and Laboratory equipment obtained by spending Rs.1,324,291 are being decaying due to non-utilisation of those. It was further revealed that, an extent of about 35 perches out of the land in which this premises situated is being used for unauthorized dry fish drying place and as the water has contaminated due to release the disposal to the near lagoon and as such obtaining clean water required for the fish breeding tanks constructed was difficult.
- (b) Out of the 96 official quarters maintained by the office of the District Director of Health Services, Gampaha only 60 quarters had been utilized by the end of the year under review.

6.8 Uneconomic Transactions

A building situated in Battaramulla area, had been taken on lease basis from July 2015 and a monthly rental of Rs.242,000 had been paid under the Expenditure Head of Chief Secretary from the above date for the portion, out of that allocated to Waste Management Authority. Nevertheless, it was revealed that the Authority had not been established in this building even by April 2016, the date of audit.

6.9 Identified Losses

The following observations are made.

- (a) The indemnity from the Insurance Corporation could not be recovered due to the delay of the claims up to 2012 on behalf of accidents caused during the periods from 1995 to 2002 in respect of the vehicles of the office of the District Director of Health Services, Gampaha. Therefore action was being taken to write off the loss of Rs.188,888 from the books, and a sum of Rs.160,328 had been written off by the end of the year under review.
- (b) Due to non-submission of documents periodically to obtain insurance cover in respect of the Ambulance No.HN-7484 which met with an accident on 07 March 2005 belonging to the District Hospital, Negombo, the loss incurred of Rs.217,275 had to write off from the books.

6.10 Delayed Projects

A Company had taken over the cut soil and do the landscape work thereafter to make it suitable to construct houses in the land called Galketiya in the Clyde Estate situated in the area of Divisional Secretariat, Dodangoda in the year 2006. Nevertheless, the land had not been landscaped as suitable to construct houses even by the end of the year under review and the royalty of Rs.584,000 for soil cut had also not been paid.

6.11 Staff Administration

6.11.1 "Provincial Ministries and Departments"

Particulars relating to the approved and actual cadre as at 31 December 2015 and the observations are as follows.

	Approved Cadre	Actual Cadre		Number of Vacancies	Excess Cadre
		Permanent	Casual/Substitute Contract		
Senior	826	745	22	81	-
Tertiary	435	312	-	123	-
Secondary	4,440	3,664	135	776	-
Primary	3,823	3,914	05	-	91
Contract	13	-	-	13	-
Temporary/ Casual/ Substitute	14	-	09	05	-
Total	9,551	8,635	171	998	91

- (a) The approved cadre of the Public Service Commission amounted to 41 but the actual cadre as at January 2016 stood at 36. Out of this, two officers had been attached to another offices, while one officer attached to this office was from another institution.
- (b) The approved number of Engineering Posts of the Department of Irrigation amounted to 04 while 03 posts out of that had been vacant. Two officers in the Special Grade Technical Service of the Department had been appointed to cover-up duties of the Engineering Posts in the District Irrigation Engineers Offices of Kalutara and Gampaha.
- (c) Three officers of the Sri Lanka Technological Service (Special Grade) in the approved cadre of the Department of Irrigation had been attached to other institutions since the years 2013 and 2014 and a sum of Rs.2,073,744 had been paid by the Department as salaries for above three officers during the year under review.

6.11.2 School Staff

Particulars of the approved and actual cadre as at 31 December 2015 and the observations are as follows.

	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
	-----	-----	-----	-----
Principals	1,732	1,280	452	-
Teachers	34,374	34,652	-	278
Minor Staff and Assistance Staff	1,586	1,215	371	-
	-----	-----	-----	-----
Total	37,692	37,147	823	278
	=====	=====	=====	=====

- (a) Even though the foreign leave period of a teacher in a Girl's school of Colombo Educational Zone was ended on 10 July 2013, she had not reported for work even up to the end of the year under review. In terms of the conditions of the agreement entered for the training course she followed, the expenditure to be recovered amounted to Rs.500,000.
- (b) Even though the foreign leave period of a teacher in the Ananda College of Colombo Educational Zone was ended on 25 November 2014, she had not reported for work even up to the end of the year under review.
- (c) Hundred and Seventy three teachers who completed, the required service period for confirmation in the Zonal Education Offices of Kelaniya, Minuwangoda, Negombo and Gampaha had not been confirmed even by the end of the year under review. The reasons such as non-confirmation of the results, non-submission of Principal's reports, non-receiving of log entries relating to acceptance of duties had affected to non-confirmation were observed in audit.

- (d) Hundred and forty six vacancies in Sinhala medium teachers for 19 subjects and 23 vacancies for the Posts of Deputy Principals, and 42 vacancies for the Posts of Assistant Principals had remained in 131 schools of the Education Zone, Gampaha.

6.11.3. Health Staff

The Particulars of the approved and actual Cadre as at 31 December 2015 and the observations are as follows.

	Approved Cadre	Actual Cadre		Number of Vacancies
		Permanent	Casual/ Substitute Contract/ Temporary	
Medical	2,049	1,973	-	76
Nursing	3,268	3,002	11	266
Assistance Staff	4,288	3,063	49	1,225
Minor Employees	3,515	3,375	-	140
Total	13,120	11,413	60	1,707

It was observed that 82 vacancies had remained in respect of 28 posts in the hospital staff of the Panadura Hospital and the hospital cadre had not been revised after the year 2006.

6.11.4 Local Government Institutions

The particulars relating to the approved cadre and actual cadre as at 31 December 2015 had been as follows.

	Approved Cadre	Actual Cadre		Number of Vacancies
		Permanent	Casual/ Substitute Contract/ Temporary	
Senior	535	375	38	160
Tertiary	345	216	-	129
Secondary	6,134	4,573	52	1,561
Primary	14,446	12,636	531	1,810
Contract	15	-	09	06

Temporary/ Casual/ Replaced	20	-	14	06
	-----	-----	-----	-----
Total	21,495	17,800	644	3,672
	=====	=====	=====	=====

6.11.5 Institutions Established by the Statutes

The Particulars of the approved and actual cadre as at 31 December 2015 are as follows.

	Approved	Actual Cadre		Number of Vacancies
	Cadre	-----	-----	
		Permanent	Casual/ Substitute Contract/ Temporary	
	-----	-----	-----	-----
Senior	77	48	08	29
Tertiary	99	78	05	21
Secondary	495	439	02	56
Primary	643	613	-	30
	-----	-----	-----	-----
Total	1,314	1,178	15	136
	=====	=====	=====	=====

6.12 Vehicle Utilisation

The Jeep No. KC-8010 assigned to the Minister of Fisheries, Roads, Transport, Co-operative Development and Trade, Housing and Construction, Estate Infrastructure, Industries and Rural Development had been handed over to the Ministry in a not working condition. According to the Report of the Chief Mechanical Engineer of the Provincial Road Development Authority an estimate amounting to Rs.878,000 had been produced to install a used engine stating that the engine was dead, due to running the vehicle with a water leakage in the radiator. The Ministry had incurred an expenditure of Rs.812,291 on above estimate and repaired the vehicle. No particulars whatsoever had been made available for audit regarding the investigation carried out on responsible persons, the action taken on the removed engine and the approval obtained from the Commissioner of Motor Traffic relating to the installation of new engine.

6.13 Bank Reconciliations

The following observations are made.

- (a) Action in terms of the Financial Regulations had not been taken in respect of the unrealized deposits amounting to Rs.10,000 remained in a Bank current account of the Co-operative Arbitration Fund.
- (b) There were sixty one cheques totalling Rs.408,479 not presented for payment to the bank and exceeded for over 06 months relating to 06 bank current accounts in 06 institutions.
- (c) There were unidentified debits relating to 08 Bank current accounts of 08 institutions amounted to Rs.2,164,515 and the unidentified credits relating to 06 Bank current accounts of 06 institutions amounted to Rs.134,262.
- (d) Even though the cheques drawn should be handed over to the respective parties without a delay, 147 cheques drawn in December 2015 amounting to Rs.7,111,699 and 06 cheques drawn in December 2015 valued at Rs.1,412,527 relating to the arrears of teachers by Zonal Education Office Colombo had not been handed over to the respective parties even by February 2016, the date of audit.
- (e) Two hundred and eighty three cheques drawn in December 2015 valued at Rs.41,579,614 of the Ministry of Education, Cultural Affairs and Arts, Sports and Youth Affairs, Information Technology had not been handed over to the respective parties even by February 2016, the date of audit.

6.14 Supervision Over the Affairs of the Local Authorities

The following observations are made.

- (a) Even though in pursuance of the Provisions of the Section 4.2 of the Nineth Schedule of the 13 Amendment of the Constitution of the Democratic Socialist Republic of Sri Lanka, the supervision of the Local Authorities had been devolved on the Provincial Council, a proper methodology had not been implemented to supervise the Local Authorities and the matters revealed during the course of audit had not been brought to the notice of the Heads of Local Authorities. Further, information relating to the instances of Disclaimer of Opinion and Adverse Opinion expressed on the accounts of the Local Authorities by the Auditor General for nearest 05 years including the year under review are given below.

Year	Number of Local Authorities Subjected to Audit (Financial Statements)	Number of Local Authorities for which Disclaimer of Audit Opinion Expressed (Financial Statements)	Number of Local Authorities for which Adverse Audit Opinion Expressed (Financial Statements)
2011	48	20	-
2012	48	26	-
2013	48	04	25
2014	48	01	02
2015	26	-	01

- (b) According to the particulars furnished as at 31 December 2015, the arrears of revenue of 48 Local Authorities of the area of the Western Provincial Council amounted to Rs.4,889,734,583.
- (c) According to the 57 Surcharges imposed against 13 officers/ others by the Auditor General, the value of the Surcharges to be recovered as at 31 December 2015 amounted to Rs.36,252,371.
- (d) Replies to 155 audit queries issued to 22 Local Authorities up to 30 May 2016 in respect of deficiencies observed in the Local Authorities had not been furnished.

7. Good Governance and Accountability

7.1 Budgetary Control

According to the financial Statements presented, the budgeted and actual income and expenditure relating to the year under review and the preceding year and the variances are given below.

	2015			2014		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Income						
Tax Income	33,130,020	31,540,490	1,589,530	28,284,973	28,112,653	172,320
Non – tax income	2,760,154	3,268,552	(508,398)	2,992,291	2,979,182	13,109
Government Grant	20,999,680	21,754,758	(755,078)	14,526,099	13,306,497	1,219,602
Total	56,889,854	56,563,800	326,054	45,803,363	44,398,332	1,405,031

Expenditure

Personal Emoluments	32,841,078	32,301,077	540,001	25,341,691	25,119,407	222,284
Other Recurrent	17,563,836	17,132,714	431,122	13,682,034	13,462,641	219,394
Provincial Investment Capital	6,484,940	5,283,724	1,201,217	6,779,637	5,863,476	916,161
Total	56,889,854	54,717,515	2,172,340	45,803,362	44,445,524	1,357,839

7.2 Tabling of Annual Reports

The position of the tabling of the Auditor General's Reports in Provincial Council relating to the financial statements of the Western Provincial Council for the preceding years in terms of the provisions of Section 23(2) of the Provincial Council Act.No.42 of 1987 is given below.

Year	Date of the Report Issued	Date of the Report Tabled
2010	16 January 2012	22 May 2012
2011	28 February 2013	03 December 2013
2012	27 August 2014	20 January 2015
2013	31 December 2014	13 June 2015
2014	18 September 2015	03 May 2016

7.3 Discharge of Environmental and Social Responsibility

It was revealed that the facilities of Lavatories or Toilets were not made available in 13 schools out of 232 schools examined in the Educational Zones of Kelaniya and Negombo in the Gampaha District.

8. Systems and Controls

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

Area	Deficiency
(a) Accounting	* Unsettled Imprests, Remittances and Deposits. * Delay in presentation of Accounts.
(b) Revenue Management	* Weaknesses in collection of arrears of revenue and revenue in the offices of Provincial Land Commissioner, Provincial Revenue Commissioner and Provincial Director of Health Services.
(c) Supervision of Local Authorities	* Arrears of Revenue and un recovered surcharges.
(d) Staff	* Vacancies in the cadre of Education and Health.