

## **North Western Provincial Council - 2016**

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The audit of financial statements of the North Western Provincial Council for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 appearing in this report will be issued in due course.

### **1.2 Management's Responsibility for the Financial Statements**

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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**

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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**

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

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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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 2016 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**

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##### **2.2.1 Provincial Council's Fund**

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The financial statements of the Provincial Council for the year ended 31 December 2016 was presented for audit on 30 March 2017.

## 2.2.2 Other Accounts

### (a) Revenue Accounts

According to the Provincial Financial Rules, Accounting Officer to whom the statutory authority has been given should prepare revenue accounts and submit to the Auditor General and all 26 accounts relating to revenue codes of the Provincial Council for the year under review had been presented to audit before 31 March 2017.

### (b) Other Accounts including Appropriation Accounts

The progress of presentation of accounts relating to the year under review, as at 31 August 2017.

Name of the Account	Relating to the year 2016		
	Total Number of Accounts	Number of Accounts Presented	Number of Accounts Not Presented
(i) Appropriation Accounts	28	28	-
(ii) Advances to Provincial Public Officers' Account	78	78	-
(iii) Advance of Loan Facilities to Provincial Councilors Account	01	01	-
(iv) Commercial Advance Accounts	07	05	02
(v) Fund and Statute Accounts	14	14	-
(vi) Revenue Accounts	26	26	-
Total	154	152	02

## 2.2.3 Accounting Policies

The following observations are made.

- (a) According to the Public Enterprises Circular No.2013/03 dated 02 October 2013 of the Director General of Public Enterprises, in accounting Public Sector

Institutions, the accrual basis should be applied instead of the cash basis. Nevertheless, the North Western Provincial Council had not complied with that directive.

- (b) A total sum of Rs.4,685,181,532 incurred for the acquisition of capital assets in the year under review and the expenditure incurred for the acquisition of capital assets in the previous years had not been disclosed in the financial statements and the accounting policy applied in accounting of fixed assets had not been disclosed.

#### **2.2.4 Accounting Deficiencies**

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Even though a balance of Rs.139,956,198 had been stated as loans to approved advance accounts activities in the statement of financial position, that balance had been a value after offsetting receivable and payable values from commercial advance accounts each other. As such, the correct values of assets and liabilities had not been disclosed by the financial statements.

#### **2.2.5 Management of Provisions**

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- (a) Out of the provision of Rs.8,469,330,000 obtained from supplementary estimates to the estimated provision for expenditure object 260-03-04-2104, a sum of Rs.30,000,000 had been transferred to other objects through financial Rules 30 and 32.
  - (b) In addition to the estimated provision of Rs.325,000,000 made for objects 260-03-04-2103 and 260-03-04-2104, a sum of Rs.8,669,330,000 had been obtained from supplementary estimates and a sum of Rs.6,846,034,970 or 80 per cent approximately therefrom had been saved.
  - (c) The total net provision of Rs.36,534,018 made for 15 instances relating to 07 Heads of Ministries and Departments from the annual cash statement of the year 2016 had been entirely saved. Out of the total provision of Rs.12,802,244,547 for

75 instances made relating to 16 Heads, a provision of Rs.9,182,081,112 had been saved. Further, the entire provision of Rs.73,063,350 made for 25 instances had been transferred to other objects via Provincial Financial Rules 30 and 32.

- (d) By using a total provision of Rs.76,751,939 for 11 instances relating to 5 expenditure Heads for which provision had not been made by the annual cash statement of 2016, action had been taken to create new objects. Out of the provisions made for 3 Objects in 2 expenditure Heads of the above, provisions from 68 per cent to 100 per cent equal to Rs.11,079,726 had been saved.
- (e) Even though the estimated expenditure for the maintenance of motor vehicles of the Ministry of Agriculture, Lands, Irrigation, Fisheries, Animal Products and Health and Agrarian Development in the year 2016 amounted to 3,500,000, the actual expenditure incurred by 07 December 2016 was Rs.4,671,280 thus indicating an expenditure of Rs.1,171,280 incurred in excess of the provision.
- (f) According to the Circular No.07/2015 dated 29 December 2015, out of the provision made for the Object 1202, a sum equivalent to 15 per cent should be suppressed. Although the amount to be suppressed in the Chief Secretariat, 2 Ministries and 5 Departments was Rs.6,477,000 only a sum of Rs.1,372,167, equivalent to 3 per cent had been suppressed.

## **2.2.6 Accounts Receivable and Payable**

### **(a) Accounts Receivable**

- (i) The advance of Rs.7,038,211 given to operate the 'Viskam Niwasa' as an advance account activity under the Chief Ministry had not been settled even up to the end of the year under review.
- (ii) A sum of Rs.15,481,059 due to the Co-operative Development Fund from 5 Multipurpose Co-operative Societies belonged the Kuliyaipitiya Assistant Co-operative Commissioner's Office had not been recovered.

- (iii) Action had not been taken to recover the dues from 12 seine-net owners amounting to Rs.364,000, dues from 167 solt Yakkalas amounting to Rs.3,680,128 and a sum of Rs.180,000 for prawn project by the Divisional Secretariat, Kuliyaipitiya.
- (iv) Loan balances unsettled by officers who had gone on transfer, deceased, vacated posts, interdicted, retired and other reasons in 4 Provincial Ministries, 13 Departments, 05 Divisional Secretariats, 7 Zonal Education Offices and the Chief Secretariat totalled Rs.235,996,319.

**(b) Accounts Payable**  
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Action had not been taken to settle loan balances totalling Rs.44,843,317 due from officers who had been transferred to the Chief Secretariat, Ministry of Agriculture, 7 Zonal Education Offices and 5 Departments.

**(c) Imprest Account**  
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Unsettled imprest balances in 3 institutions totalled Rs.48,321,857.

**(d) General Deposit Account**  
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- (i) A sum of Rs.300,000 deposited in the National Housing Development Authority by the Thammanna Government Ltd. to obtain free hold deeds which had been taken on long terms lease had been credited to the General Deposit Account of the Divisional Secretariat, Anamaduwa. Even though, the approval for the set off that amount against the loan term lease rental due from that company had been obtained in the year 2016, it had been retained in the deposit account even by March 2017.
- (ii) Out of the provision of Rs.480,000 received for the preparation of a Computer Software System to the Provincial Department of Textile, a sum of Rs.240,000

had been paid to the Wayamba Development Authority in the year 2011. Without taking action to complete the relevant purpose by utilizing the balance of Rs.240,000, it had been retained in the general deposit account even by 16 May 2017.

- (iii) Even though the purpose for which a sum of Rs.198,500 was received from the Ministry of Central Government in the year 2013 for the National Textile Exhibition had been completed, that money had been retained in the General deposit account of the North Western Department of Textiles, even by May 2017.
- (iv) Action in terms of Financial Regulation 571 had not been taken in respect of deposits totalling Rs.6,574,364 in the Chief Secretariat, 5 Departments, 2 Regional Engineers Offices and 6 Divisional Secretariats relating to the year under review lapsed for more than 2 years.
- (v) Action had not been taken to settle a sum of Rs.426,404 to be settled to the Road Passenger Transport Department and the Department of Agrarian Services remained in the deposit account since 1990.

### **2.2.7 Non-compliance with Laws, Rules, Regulations and Management Decisions**

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions observed at audit test checks are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
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<p><b>(a) Statutory Provisions</b></p> <p>-----</p> <p>(i) Sub-section 6(1)(a) of the General Contract Act No.03 of 1987.</p>	<p>Tenderers in respect of 11 contract agreements totalling Rs.246,609,662 entered in to by the Ministry of Education in the year 2016, exceeding the relevant limit had not been registered.</p>

(ii) Section 21 of the Co-operative Employees Pensions Ordinance No.01 of 2008.

A sum of Rs.25,237,500 had been invested in 3 instances in the year under review by the Department of Co-operatives without the approval of the Finance Consultation Committee.

**(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka.**

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(i) Section 8.1 and Sub-section 8.1.2 of Chapter xiv

Despite the Headquarter's Community Development Officer of the Department of Local Government who entitles to an initial salary of Rs.16,720 in the salary scale MN'5 is not entitled for millage charges, a total sum of Rs.368,640 at Rs.7,680 per month had been paid as mileage charges for the period January 2013 to December 2016.

(ii) Section 4.2.3 of Chapter xxiv

(b) Even though a total sum of Rs.43,292,301 had been paid as distress loans during the year under review by 2 Departments and 2 Zonal Education Offices, statements of irrevocable option had not been obtained to recover the loan balances from the retirement gratuity by the time of their date of retirement.



**(c) North Western Provincial Council  
Financial Rules**

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(i) Financial Rule 180.2

Without obtaining the goods, the Department of Provincial Health Services had written 34 cheques valued at Rs.11,408,823 as at 31 December 2016 in the name of suppliers.

(ii) Financial Rule 261.2.2

\* Advances totalling Rs.1,011,150 obtained by the officers in the Nikaweratiya Zonal Education Office in 18 instances had not been settled even up to the end of the year under review.

\* Sub imprests amounting to Rs.884,500 had been given to the officers of the Nikaweratiya Zonal Education Office who had not settled previous advances, obtained in 10 instances.

\* Even though advances to be given at a time should not be exceeded Rs.100,000, contrary to that, advances of Rs.400,000 had been given by the Wayamba Ministry of Education for the XIII<sup>th</sup> National Sports Festival activities.

(iii) Financial Rule 476

Board of survey relating to the year under review had not been conducted by 3 Provincial Departments, 821 Schools belonged to the Provincial Department of Education, 35 Provincial Offices/ Centres, 98 institutions of the Department of Health, even up to 31 March 2017.

(d) **Public Finance Circulars**

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Public Finance Circular No.03/2014 of 10  
March 2015.

In making payment of communication allowances in the base hospital, Kuliypitiya, a sum of Rs.757,500 to the Primary Grade Medical Officers and a sum of Rs.1,267,500 to the Grade II Medical Officers, Rs.2,025,000 in total had been paid by exceeded the approved limits.

## **2.2.8 Transactions not Supported by Adequate Authority**

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The following observations are made.

- (a) Without a recommendation of a Bio Medical Engineer, the Provincial Department of Health Services had given Technical Evaluation Committee recommendations for the purchase of medical equipment valued at Rs.134,619,582 in the year under review in 38 occasions.
- (b) A general deposit balance of Rs.1,082,228 had been spent for purposes extraneous to the purpose for which it was deposited, by the Provincial Department of Health Services.
- (c) A stock of paints valued at Rs.1,803,550 had been purchased in December 2016 from the State Trading (Miscellaneous) Corporation to the base hospital Nikaweratiya without a recommendation of the Technical Evaluation Committee.
- (d) Without taking action legally to acquire the land, 1.463 hectares in extent and the adjoining government land, 4.047 hectares in extent within the jurisdiction of Anamaduwa Divisional Secretariat, they had been entrusted to the National Housing Development Authority for a housing scheme with the desecration of the Divisional Secretary.
- (e) In terms of Land Development Ordinance and the Circular No.2008/4 dated 20 August 2008 of the Commissioner General of Lands, applications are obtained from landless persons and check objections thereon and the qualified list of names should be sent to the Provincial Commissioner of Lands for approval. However, the Divisional Secretary of Anamaduwa had send only a list with 20 persons and obtained the approval of the Provincial Commissioner of Lands and informally given plot of lands to 13 persons at 2 acres per person who had no any evidence to

prove whether they were residents of the Puttalam District. Furthermore, signatures of those licenses and applications had been reciprocal each other.

- (f) According to the Section 2.14.1 of the Procurement Hand book, the maximum limit of entering into agreement on Divisional Procurement decisions amounted to Rs.2,000,000. Exceeding that limit, the Executive Engineer of Wariyapola in the Wayamba Provincial Road Development Department had entered into agreements with contractors in 7 instances totaling Rs.21,796,720 for the supply of raw-material and plant and machinery for road maintenance.

### 3. Revenue Management

The estimated revenue and actual revenue of the Provincial Council for the year under review and the preceding year under each revenue code are given below.

Revenue Code No	Particulars of Revenue	2016		2015	
		Estimated Revenue	Actual Revenue	Estimated Revenue	Actual Revenue
		Rs.(Mn)	Rs.(Mn)	Rs.(Mn)	Rs.(Mn)
10.02, 10.03	Taxes on Manufacturing and Expenses	6,653.00	6,555.69	5450.00	5658.70
20.02	Lease rent, Interest, Profits and Dividends	298.00	211.46	243.00	187.16
20.03	Sales and Charges	540.00	613.06	472.00	536.64
20.06	Sale of Capital Goods	25.00	2.32	10.00	0.23
	Total	7,516.00	7,382.53	6,175.00	6,382.73

The following observations are made.

- (a) In terms of Provincial Financial Rule 41.1.4, the Accounting Officer had not taken action to prepare realistic and correct estimates and as such non-reaching the estimated revenue relating to 13 revenue codes ranged from Rs.8,987,072 to Rs.11,358,846 or 13 per cent to 95 per cent. The actual revenue exceeding the

estimated revenue relating to 12 revenue codes ranged from Rs.182,456,925 to 1,073,281 or 9 per cent to 54 per cent.

- (b) Details of arrears of revenue in the year under review and 2 previous years are given below.

<b>Source of Revenue</b> -----	<b>Year</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	----- <b>Rs.</b>	----- <b>Rs.</b>	----- <b>Rs.</b>
Additional taxes on property transfers	32,290,394	5,012,980	7,195,967
Business Turnover Tax	93,946,012	-	-
Land and other lease rent	11,556,809	6,372,026	3,932,922
Charges on alienation of Land under the Land Development Ordinance	560	127,190	402

- (c) Action had not been taken to remit stamp fees and court fines amounting to Rs.391,931,086 and Rs.94,066,762 respectively to the relevant Local Authorities as at the end of the year under review by the Chief Secretariat.
- (d) The recovery of arrear of Business Turnover Tax amounting to Rs.242,392,455 recoverable up to the year 2011 had been at a very low level ranging from 11.43 per cent to 0.37 per cent from the year 2011 to 2015 and the arrears further recoverable amounted to Rs.93,946,012.
- (e) According to the Letter No. ၁၅၅၉/5/3/13/7-2 dated 27 May 2004 of the Wayamba Deputy Chief Secretary referred to the Wayamba Provincial Commissioner of Revenue, the recoverable Turnover Tax of Rs.32,366,302 and Rs.75,142,594 had been exempted in the years 2015 and 2016 respectively by the Provincial Commissioner of Revenue based on the tax write off limit of Rs.100,000. Furthermore, the monthly report of write offs in terms of Paragraph 3 of the above letter had not been sent to the Chief Secretary. Particulars of arrears of Turnover Taxes written off were not made available for audit as well.

- (f) The recoverable motor vehicle license fees as at 31 December 2015 amounted to Rs.7,616,648, according to the previous year's account but a sum of Rs.4,845,009 had been accounted as the opening balance of the year under review.

#### **4. Financial Review**

##### **4.1 Financial Results**

According to the financial statements presented, a surplus of Rs.216,897,422 was indicated for the year ended 31 December 2016 as compared with the surplus of Rs.1,400,467,030 for the preceding year.

##### **4.2 Analytical Financial Review**

###### **Revenue and Expenditure**

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

	<b>2016</b>			<b>2015</b>		
	<b>Budgeted</b>	<b>Actual</b>	<b>Variance</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Variance</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>	<b>Rs.Mn</b>	<b>Rs.Mn</b>	<b>Rs.Mn</b>	<b>Rs.Mn</b>
<b>Revenue</b>						
Tax Revenue	6,653.00	6,555.69	97.31	5,450.00	5,658.70	(208.70)
Non Tax Revenue	863.00	826.84	36.16	725.00	724.03	0.97
Government Grant	35,345.88	25,700.77	9,645.11	24,927.33	24,417.02	510.31
Other Receipts	195.03	135.72	59.31	-	-	-
Total	43,056.91	33,219.02	9,837.89	31,102.33	30,799.75	302.58
<b>Expenditure</b>						
<b>Recurrent Expenditure</b>						
Personal Emolument	23,285.91	23,225.71	60.20	22,213.90	21,859.94	353.96
Others	6,073.60	4,998.35	1,075.25	5,486.51	4,828.78	657.73
Sub Total	29,359.51	28,224.06	1,135.45	27,700.41	26,688.72	1,011.69
Capital Expenditure	13,697.40	4,778.06	8,919.34	3,401.92	2,710.56	691.36
Total	43,056.91	33,002.12	10,054.79	31,102.33	29,399.28	1,703.05

The ration between the recurrent expenditure and the capital expenditure of the year under review was 6:1.

**5. Statute Account/ Fund Accounts/ Commercial Advance Accounts and Other Advance Accounts**

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**5.1 Accounts of Authorities/ Fund Accounts**

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**(a) Audit Opinion**

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Qualified opinions had been expressed in respect of 9 accounts of Authorities and 5 Fund Accounts established in the North Western Provincial Council.

**(b) Audit Observations**

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**(i) Human Resources Development Authority**

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As the policy changes determined by Government had not been included in the agreement entered into for the Supply of Cleaning Service to the Kurunegala Teaching Hospital, the recovery of outstanding amount of Rs.7,369,426 relating to the year 2016 from the Teaching Hospital, Kurunegala had been uncertain.

**(ii) Wayamba Development Authority**

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\* Even though, the Madurankuliya Tourist Information and facilities centre constructed by incurring an expenditure of Rs.53.3 million, could be used for the generation of revenue since the date of completion of the 1<sup>st</sup> phase in 2014, attention of the Management was not paid in this connection.

- \* Even though, a memorandum of understanding had been entered in to with the Sri Lanka Tourism and Hotel Management Institute on 20 November 2014 to carry out operational activities of the Wayamba Tourist Hotel School, a concurrence had not been made to obtain a lease rent on the properties thereon and as such any financial benefit could not be ascertained from the properties of the Authority valued at Rs.112 million.
  
- \* Due to breach of conditions of lease agreement of trade stall 3 and 4 of Badagamuwa Tourist Centre which had been given on a lease agreement on 01 November 2014, the Authority had cancelled the lease agreement on 14 May 2015. The lessee had taken legal action against this decision and as such this problem had not been resolved even up to the end of the year under review, resulting a deprivation of a tax revenue of Rs.1,047,385 to the Authority.

(iii) Wayamba Machinery Authority

- \* Taxes totalling Rs.19,555,610 collected during the year 2016 and previous 7 years on specific charges had not been remitted to the Commissioner General of Inland Revenue in terms of provisions in the Inland Revenue Act No.10 of 2006.
  
- \* As contributions of EPF and ETF totalling Rs.6,186,957 relating to the year under review and 3 previous years had not been remitted to the relevant funds, surcharges and fines totalling Rs.523,937 had to be paid.
  
- \* As the Authority had obtained bank overdraft facilities due to weakening the financial position of the Machinery Authority, a sum of Rs.953,423 had to be paid as bank overdraft interest of the year under review.



(iv) Wayamba Janakala Foundation  
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Although the total loss of Chilaw and Kurunegala Viskam Niwasa of the Janakala Foundation in the year 2016 amounted to Rs.1,799,033, the Management of the Foundation had not taken action to get this position changed.

(v) North Western Province Environmental Authority  
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\* Action had not been taken to enforce the Environmental Ordinance in respect of industries which do not obtain environment licenses and the procedure to minimize environment damage.

\* In terms of Circular No.30/2008 dated 31 December 2008 of the Secretary to the Ministry of Public Administration, exceeding the distress loan of Rs.250,000 to be granted at a time as per the above circular, distress loans at Rs.500,000 at a time had been paid to 13 officers. In addition, fixed deposits of Rs.3,500,000 had been withdrawn without approval for this purpose. Further, the old distress loan balances totalling Rs.998,980 of 11 officers of them had also not been set off.

(vi) Industries Services Bureau  
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Action had not been taken to recover a sum of Rs.547,098, remained outstanding for nearly 3 years in respect of services rendered by the Industries Services Bureau to external parties.

(vii) Chief Minister's Fund  
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Any money whatsoever had not been spent for Sports and Education aids during the year under review from the Chief Minister's Fund.

(viii) Wayamba Divisional Resources Development Authority

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As 4 fish breeding and fish processing projects had not been operated for a period of 4 years, the fish processing building valued at Rs.4,140,000 and the aquarium dockyard valued at Rs.4,925,000 had become dormant.

(ix) Wayamba Co-operative Employees Pensions Scheme

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Even though agreements had been entered into with the Wayamba Training Institute in the year 2010 for the computerization of Pensions Scheme and advance of Rs.168,000 had been paid, the relevant task had not been fulfilled even by the end of the year 2016. Furthermore, a provision of Rs.600,000 had been made again in the year 2016 for the purpose of computerization of the activities of this Fund but action had not been taken in this regard even up to May 2017.

(x) Wayamba Sports Fund

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- \* Procedures in respect of enrollment of students to the Academy, Education, Training and conducting examinations had not been prepared in terms of Section 35 of the Sports Ordinance No.04 of 1992 of the North Western Provincial Council.
  
- \* As lack of sufficient fitness equipment and facilities and non-availability of a fitness trainer, the revenue of the Fitness Division had dropped by 82 per cent as compared with the previous year.

## **5.2 Commercial Advance Accounts**

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- (a) Out of the total debtor balances as at 31 December 2014 of the Commercial Advance Account for the Establishment and Administration of Textiles Workshops including the Supply of raw materials in the Textile Department totalling Rs.18,573,677, debtor balances elapsed for 10 years and 2 years amounted to Rs.1,598,588 and Rs.7,488,735 respectively. Action had not been taken to recover same by the Management.
- (b) As the students admitted to the Technical Colleges belonging to the Department of Small Industries for Training had decreased annually, the idle time of Plant and Equipment valued at Rs.6,338,600 was increasing annually.
- (c) The maximum limit of expenditure in the Wayamba Training Institute Advance Account amounting to Rs.16,000,000 had exceeded by Rs.302,272.
- (d) Action had not been taken to register for Value Added Tax obligation by the Wayamba Training Institute in terms of Section 10 of the Value Added Tax amendment Act No.2016/20 dated 04 November 2016.

## **6. Operating Review**

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### **6.1 Performance**

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The following observations are made.

- (a) The failures percentage at the General Certificate of Education (Ordinary Level) examination in the Chillaw Education Zone since the year 2013 had increased from 39 per cent to 47 per cent.

- (b) Filaria blood pellicle tests of 49,072 persons had been carried out in the Kurunegala District by the Anti-filaria Unit belonging to the Office of the District Director of Health Services, Kurunegala during the year 2015 and it represented only 2.9 per cent of the total population of the District and as such tests were not at a satisfactorily level.
- (c) Dengue patients reported in the Kurunegala District in the years 2015 and 2016 amounted to 1,378 and 2,563 respectively and it had been an increase of 46 per cent in the year 2016 as compared with the year 2015. However, out of a sum of Rs.6,613,500 received for anti-dengue Programmes in the year 2016, a sum of Rs.892,720 had been saved.
- (d) Even though, it was planned to vaccinate hydrophobia vaccine in 10 Medical Officers Divisions belonged to Kurunegala District Director of Health Services Office, it was failed to implement it during the year under review.
- (e) Even though a provision of Rs.5,000,000 had been made to the Provincial Department of Health Services to identify and examine kidney patients in the areas of Ambanpola, Kobeigane, Polpithigama, Galgamuwa, Giribawa, Nikaweratiya and Maho where there were plentiful kidney patients, only a sum of Rs.1,583,770 was received during the year under review.
- (f) Even though the expected sales value in the year 2014 from 102 marketing centres of the Department of Textile amounted to Rs.103 million, the actual sales value of the year amounted to Rs.39.5 million and 75 per cent of this value had been earned only from 8 centres.
- (g) The Wayamba Provincial Public Service Commission had failed to conduct formal disciplinary inquiries expeditiously in respect of 31 preliminary disciplinary inquiry files received relating to the previous years and to issue disciplinary orders even up to 18 April 2017.

- (h) According to the Action Plan for the year 2016, the Department of Probation and Child Care Services had planned to conduct awareness programs being covering up 9 authority areas “ensuring childrens rights without abusing”, aimed at various Social Groups. However, the programs, conducted only in 5 areas had mostly been aimed at only school children.

## **6.2 Management Inefficiencies**

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The following observations are made.

- (a) As the Department of Probation and Child Care Services had not maintained updated information in respect of probationers, it was unable to establish in audit whether Socialization of Probationers in the year under review had been reached to the expected level.
- (b) Even though a bank of Ceylon Branch had been established in the Provincial Council premises, action had not been taken to recover a lease rent or a charge for water and electricity therefor, The agreement between the Bank Management and the Provincial Council was not made available for audit.
- (c) As the process of purchasing medical equipment required by the Provincial Department of Health Services had not been properly planned, medical equipment totalling Rs.188,228,458 ordered in the year 2016 had not been received to the Department even by 16 February 2017.
- (d) Even though it was expected an income of Rs.100,000 from 16 coir Industries Centres of the Department of Small Industries during the year under review, any order whatsoever had not been obtained therefor.
- (e) A program for the Socialization of 58 Children over 18 years of age resided in 14 Childrens’ homes belonging to 5 Probation Offices had not been prepared by the Department of Probation and Child Care Services.

- (f) Detention of Children, exceeding the approved number of Children from 01 to 20 in 9 Children's homes located within the North Western Province had adversely affected the Child Welfare and Protection.
- (g) Giving medical assistance for special medical assistance applications presented to the Department of Social Services had delayed for periods from 1 ½ to 3 years.
- (h) One hundred and twenty six Technological Laboratories had been established in the secondary schools situated within the North Western Province but Science/ Mathematics classes for Advanced Level had been started only in 36 schools. Even though, 127 students had presented for the GCE (A/L) examination from Science, Mathematics stream from 20 schools of them in the year 2015, only 11 of them had passed the examination.
- (i) A drugs had not been manufactured sufficiently for patients care services, the Provincial Department of Ayurveda had purchased 14 varieties of drugs valued at Rs.6,694,875 during the year under review from the Ayurvedic Drugs Corporation.
- (j) The contract for the construction of Werahera Regional Co-operative building had been given to the Katugampola multi-purpose Co-operative Society for Rs.1,826,250, deviating from procurement process by the Department of Co-operative Development.
- (k) Action had not been taken to settle deposits and court fines totalling Rs.68,355,626 received from various law courts relating to the Kurunegala, Kuliypitiya Maho and Chillaw Assistant Co-operative Commissioners' Offices during the year, to the relevant societies.

- (l) Even though, a sum of Rs.399,000 had been paid to a supplier at the end of the last 2 months of the year 2016 for the purchase of 38 electronic wrapping thread machines to the Department of Textile 17 machines had not been supplied up to 09 May 2017.
- (m) Out of 1500 square feet of Ginisapu planks 1” in thickness ordered undated in the year under review by the Department of Small Industries, only 514 square feet had been supplied by the end of the year under review but the entire sum of Rs.165,500 had been paid on 29 December 2016, by posting the total stock of timber to the stock book as received.
- (n) As the Divisional Secretary, Nawagaththegama had not provided a suitable land to commence Solid Waste Management Project for the management of garbage accumulated within the area of Nawagaththegama Divisional Secretariat, the provision of Rs.1,776,350.66 had been returned by the Pradeshiya Sabha.
- (o) The function of long term leasing of a government land, 171 acres in extent in the Irrattakulama North Grama Niladhari Division belonging to the Madampe Divisional Secretariat Division had been delayed since 2015.
- (p) Action had not been taken to recover the lease rental of Rs.12,408,750 receivable from over a period of 10 years for the land, 01 acre, 02 roods and 35 purchase in extent in the Divisional Secretariat Division, Anamaduwa which had been given to a private company on long term lease basis.
- (q) Action had not been taken to recover the arrears of annual lease rental of Rs.457,664 in the year under review on leasing of government lands by 5 Divisional Secretariats and the long term lease arrears of Rs.1,222,757.

- (r) Despite the Commissioner General of Examinations had informed in February 2013 that a driver attached to the Provincial Department of Agriculture had forwarded a false Education Certificate, the termination of service had been delayed up to June 2015 and an illegal salary of Rs.693,490 had been paid to him for the relevant period.
- (s) Two bonds valued at Rs.158,354 had been released without getting the receipts issued to the institutions at the time of obtaining bonds by the Divisional Secretariat, Naththandiya.
- (t) Legal action had not been taken to recover the advance of Rs.13,609,655 issued from the Provincial Treasury Advance Account for the settlement of bank overdraft arisen from the cash fraud taken place in the years 2010/2011 from the bank account of Giriulla Zonal Education Office from the responsible institution/ persons even up to the end of the year under review. The People's Bank had agreed from its letter dated 30 June 2011 that if it decided that the bank would be legally responsible for this fraud, the bank had agreed to make good the loss.

### **6.3 Operating Inefficiencies**

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The following observations are made.

- (a) As it had taken 6 months to get the approval of the Secretary to the Provincial Ministry of Health, for the quotation of Rs.152,000 dated 04 June 2015 received for the repair of an ambulance belonging to the office of the District Director of Health Services, Puttalam, the garage had rejected to do the repairs at the above price. Therefore, the repair had been given to the institution which presented the 2<sup>nd</sup> minimum quotation for Rs.235,000 but the repair work had not been completed even by January 2017.



- (b) An ambulance belonging to the Office of the District Director of Health, Puttalama had been handed over to a garage on 10 October 2013 to get it repaired for a sum of Rs.18,500. Action had been taken to get the approval for another estimate submitted by the garage for Rs.429,500 after 2 ½ years.
- (c) An ambulance belonging to the Office of the District Director of Health, Puttalama had been handed over to a garage in October 2013 for a repair on an estimate, valued at Rs.21,500. After 2 ½ years, the garage had submitted a fresh estimate for Rs.202,800 and it had been referred to the Secretary to the Ministry for approval.
- (d) Fifty six Deep Freezers and 15 mini-coolers had been purchased by incurring an expenditure of Rs.10,237,830 under the evening milk collection promotion program of the Department of Animal Products and Health and distributed to the milk collection centres. At the physical verification carried out in respect of this equipment, it was observed that 5 milk societies had not used those deep freezers on various grounds and the objective of improving the use of fresh milk and the milk related products had also not been performed.
- (e) A mini lab and a mini cooler valued at Rs.701,905 given to the Dairy Farm Development Foundation in the Wariyapola Veterinary Surgeon Division by the Provincial Department of Animal Products and Health in May 2015 had not been taken for use even by July 2017.
- (f) Out of the equipment purchased and distributed in the year 2016 for Rs.447,040 under the milk and milk related product consumption promotion project by the Provincial Department of Animal Products and Health, equipment such as Thrmostat, milk boiling dual containers, gas stove, cream separators, bottle sealers, pressure cookers etc., distributed among 5 beneficiaries had not been used due to various reasons.

- (g) The Provincial Land Commissioner's Department had purchased 16 Tablets and 15 Laptop Computers for a sum of Rs.1,994,850 and given to the Colonization Officers for the input of data of 120,000 plots of lands in Kurunegala District and 50,000 plots of lands in Puttalama District by the end of the year 2016 under the Government Land Management E-Slim Program. Nevertheless, only 13,563 and 19,268 plots of lands in the Kurunegala and Puttalama District respectively had been checked and input data.
- (h) A foundation had been laid in the Atamune Vidyalaya premises by incurring an expenditure of Rs.900,000 in the year 2007 for the construction of a Rural Development Training Centre building to the extent of 140x35 feet by the Ministry of Roads, Transport, Co-operative Development and Trade, Housing and Construction, Industries and Rural Development. It had subsequently been abandoned.
- (i) In purchasing 20,300 'peramone' traps 6,250 meters of resistance nets, 120 papaw plucking equipment, 20 ladders, 755,300 of black polythene containers, 700 pieces of polythene and 20,000 containers for Rs.13,349,175 in the year under review, Procurement Procedure had not been followed by the Provincial Department of Agriculture.
- (j) Even though 15 files had been sent to the Provincial Land Commissioner for the approval of regularizing encroachments of government lands during the period from 2013 to 2015 in the Wanathawilluwa Divisional Secretariat Division and long term leases, the relevant approval had not been received by the end of the year 2016.
- (k) A land in the Redeegama Divisional Secretariat area had been given to the Mobitel (Private) Ltd. and the People's Bank on long term lease basis. As the lease rent had not been revised and recovered once in 5 years according to the lease agreement, a sum of Rs.648,000 had been under recovered.

- (l) In long term leasing of government lands belonging to the Divisional Secretariat, Panduwasnuwara (West), rentals receivable annually from 2003 to 2016 to the Provincial Council amounted to Rs.1,456,400. This amount had included a sum of Rs.172,800 receivable from the National Water Supply and Drainage Board for the period 2004 to 2006.
- (m) Construction of 10 works valued at Rs.40,669,635 had been completed out of the construction works to be performed from the provision of Rs.55,056,587 made by the Wayamba Engineering Department. As estimated work items had been subsequently revised, the approval for the addition work of Rs.3,350,812 had not been obtained.
- (n) Instead of performing the work items of installing a name board and fixing flash lights valued at Rs.410,000 in the construction of Volley ball Sports Ground at the Wellegala Maha Vidyalaya by the Divisional Engineers Office, Wariyapola additional works had been carried out.
- (o) Despite 3 Architects and 17 Civil Engineers had been deployed with the Staff of the Wayamba Engineers Department, a total sum of Rs.2,788,488 had been paid in the years 2014, 2015 and 2016 as charges for obtaining architectural designs and consultancy services from external parties.
- (p) Bursaries of Rs.210,500 payable to 176 scholarship holders in 15 schools for the years 2014 and 2015 had not been paid by the Zonal Education Office, Kurunegala.
- (q) According to the data for the year 2014, there were 183 Grama Niladhari Divisions in the North Central Province where lots of kidney patients were available, but anti-corollary water purification unit had been set up only in 79 Divisions therefrom in the year 2016 by incurring an expenditure of Rs.218,000,000.

- (r) Action had not been taken to supply a new water purification system in place of Giribawa Ihala Maradankadawala anti-corollary water purification system which had become fully inoperative within the warranty period, valued at Rs.3,400,000.

#### **6.4 Provincial Road Development and Improvement**

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The following observations are made.

- (a) Even though, a sum of Rs.6,376,248 had been spent in 5 instances by 30 June of the year under review by the Kuliyaipitiya Executive Engineer's Office of the Road Development Department for the maintenance of Thuntota Padiwela road, 10.8 km in length, it was observed at a physical verification carried out in July 2016 that the relevant work had not been carried out up to the standard.
- (b) While the Road Development Department had carried out the maintenance works of Hanhamuna, Dampitiya Road, 1.57 km in length and incurred a sum of Rs.1,006,443 in March 2016, a sum of Rs.1,999,785 had been paid in June and July 2016 as improvements of 1.39 km which had been covered the same distance of the above road.
- (c) As the Thambarawila Waikkala Road Developed by the Provincial Road Development Department by incurring an expenditure of Rs.1,585,096 by November 2016 had been again carpeted in December 2016 and as such the above amount spent had become fruitless expenditure.
- (d) The Provincial Department of Road Development had entered into an agreement with an elders persons society for the improvement of Thabbowa Pilakatumulla Road for an estimated amount of Rs.986,619. After being commenced the work, it had been abandoned, without adducing any reasons.

## 6.5 Transactions of Contentious Nature

The huge land, 30.704 hectares in extent, located in the Ganewatta Divisional Secretariat area had been leased out for a period of 30 years in the year 1999 for an annual rental of Rs.304,000 to the (Janatha) Hiriya Farmer's Company Ltd. and that company had obtained a loan by keeping this land as a security in a Private Bank. As the farmers company had been inoperative, the Bank had taken action to sell the land by public auction.

## 6.6 Idle/ Under utilised Assets

Idle/ Under utilised assets in the various institutions belonged to the Provincial Council had existed as shown below. Action had not been taken to use them appropriately or to dispose of them.

Office	Type of Asset	Value	Period of Non-use
(a) Kuliyaipitiya base Hospital of the Provincial Department of Health Services	Micro Hematocrit-02 Centrifuge - 01 Mini Autoclave – 01 Haematocrit – 02  Incubator		01    03
(b) Divisional Secretariat, Chillaw	Sports Equipment	220,396	02
(c) Mallwapitiya office of the Medical Officer of Health, Provincial Department of Health	Stephens cope – 14 Hot plate – 02 Surgical instrument – 67 Glucometer – 03 IV Canula – 20		- 1 to 3 years.
(d) Narammala Hospital Provincial Department of Health	Medical Officers Official quarters – 03  Common official quarters of 14 rooms		- Over 2 years.

(e)	Ambanpola Hospital – Provincial Department of Health	Childrens’ Hospital with equipment	-	8 years.
(f)	Office of the Medical Officer of Health, Alawwa Provincial Department of Health	Surgical instrument 174 units of 14 types		1-4 years.
(g)	Polpitigama, Rambe Centre	Cultural Buildings	9,024,858	01 year.
(h)	Madahapola Medical Treatment Centre -Provincial Department of Health	Buildings	1,060,760	01 year
(i)	Maho Education Zone – Provincial Department of Education	Palakadawala Teachers Residential Centre	16,815,000	04 Years
(j)	Provincial Ministry of Health	02 bank accounts of Liya Induwara Revolving Loan Program	4,683,947	02 years
(k)	Provincial Department of Textile	Thread Colouring machine	2,783,200	04 years
(l)	Kuliyapitiya Hospital – Provincial Department of Health	Repaired residential patients ward	2,139,831	01 year

## 6.7 Uneconomic Transactions

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The following observations are made.

- (a) The carbonic products Trade Centre set up in Kuliyapitiya by the Department of Co-operative Development by incurring a sum of Rs.2,300,000 had not been utilised for the intended objectives.
- (b) Three electric potters wheels purchased in the year 2016 by the Department of Small Industries for Rs.248,645 had not been utilised even by 31 May 2017 due to inadequacy of the capacity of electric circuits in the clay Training Centres.

- (c) From the thread dryer with a capacity of 60 kg purchased for a sum of Rs.1,764,000 in the year 2014 by the Department of Textiles, only 12.5 kg of thread could be dried at a time and as such it was established that only 25 kg of thread could be dried per pay.
- (d) Despite a thread colouring machine had been purchased for Rs.2,783,200 in the year 2011 by the Department of Textiles, a sum of Rs.2,850,130 had been paid in the year under review to an external institution for the colouring of 4,904 kg of thread.
- (e) Even though 7 teachers served in 6 schools belonging to Maho and Nikaweratiya Education Zones had been released to other government posts from more than 10 years, a sum of Rs.16,999,058 had been paid as salaries to teachers of Maho Education Zone only.
- (f) Salaries of November and December of 2016 and the previous months overtime allowances totalling Rs.68,040 of the Health Office Assistant who had been interdicted while he was in service in the Puttalama Hospital had been sent to the employee's bank account.

## **6.8 Identified Losses**

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The following observations are made.

- (a) A loss of Rs.1,155,000 had occurred by informal tendering for obtaining fruit seeds and planting materials with high quality by the Ministry of Agriculture, Lands, Irrigation, Fisheries, Animal Products and Health and Agrarian Development.
- (b) In purchasing Air Conditioners for the District Director of Health Services Office, Puttalama the quotation submitted by a reputed institution with the BG Trade Mark had been rejected by the Technical Evaluation Committee on the grounds that no previous experience and unfamiliar in using this brand and as such a loss of Rs.181,930 was incurred.

- (c) Without being inquired the clear position of the land, the Chillaw Zonal Education Office was proposed to be built therein, a sum of Rs.320,622 had been spent. As protests had come through stating that the relevant land belonged to a Church, the construction works had been abandoned.
- (d) A loss of Rs.103,150 had occurred due to disregarding the maintenance cost in recommending by the Technical Evaluation Committee for the purchase of 02 1R Lamps to the Provincial Department of Health Services.
- (e) An ultra sonic scanner had been purchased for a sum of Rs.6,525,000 with the 5 year maintenance cost from the institute which submitted the third minimum price on the recommendation of the Technical Evaluation Committee by the Provincial Department of Health Services. However, a loss of Rs.729,550 had occurred due to rejection of the second minimum price of Rs.5,795,450 with the maintenance cost without substantiating reasons therefor.
- (f) In purchasing 15 Multipara Monitors by the Provincial Department of Health Services, the Technical Evaluation Committee had not considered the maintenance cost of those machines. By rejecting the quotation of Rs.3,747,750 submitted by an entity with the maintenance cost which had fulfilled all technical specifications, purchase had been made from the entity which quoted the price of Rs.6,225,000 with the maintenance cost thus incurring a loss of Rs.2,477,250.

## **6.9 Weaknesses in Contract Administration**

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The following observations are made.

- (a) Even though 66 project proposals valued at Rs.1,809,500 had been approved under the Provincial Investment Fund during the year 2016 of the Karuwalagaswewa Divisional Secretariat, only 28 project proposals therefrom valued at Rs.762,619 had been completed up to 02 November 2016.



- (b) Even though the construction of sewerage system at Narammala Regional Hospital had been completed in September 2012 by incurring an expenditure of Rs.2,604,337, it had not been functioned well and as such a repair had been carried out in the year 2016 by incurring an additional expenditure of Rs.976,620. Furthermore, waste had been removed through gully bowsers in 06 instances from 2012 to 2015.
- (c) Instead of putting up an elephant fence to cover the Kotawehera Regional Hospital premises, an iron fence had been put up in the year 2015 by incurring an expenditure of Rs.799,997 but it had been destroyed by wild elephants.
- (d) Even though the construction of 8 works, the contractual valued of which amounted to Rs.27,051,186 should have been completed during the year 2016 by the Wayamba Provincial Engineering Department, those construction works had not been commenced even by 21 February 2017.
- (e) Works of 222 projects, the contractual value of which amounted to Rs.971,851,291 which should have been completed during the year 2016 by the Wayamba Provincial Engineering Department, the progress had been less than 50 per cent by 31 December of the year under review.

#### **6.10 Delayed Projects**

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Eight works valued at Rs.16,271,695 which should have been completed during the year under review by the Kuliyaipitiya Regional Engineers Office had not been fully fulfilled and the demurrage charge of Rs.81,939 had not been recovered from 3 works.

#### **6.11 Personnel Administration**

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Approved and actual cadre position of the Provincial Council as at 31 December 2016 is given below.

**(a) Staff of the Provincial Ministries and Departments**

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>	<b>Excess Cadre</b>
Senior Level	1,640	1,425	215	-
Tertiary Level	559	374	185	-
Secondary Level	9,593	7,999	1,594	-
Primary Level	4,527	4,038	489	-
Others	-	120	-	120
Total	16,319	13,956	2,483	120

**(b) School Staff**

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>
Principals	1,915	1,400	515
Teachers	26,383	22,704	3,679
Minor Employees	2,696	2,483	213
Others	503	310	187
Total	31,497	26,903	4,594

**(c) Hospital Staff**

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>	<b>Excess Staff</b>
Office Staff	777	620	157	-
Hospital Staff	7,981	6,781	1,520	280
Total	8,758	7,401	1,677	280

**(d) Staff of Local Authorities**

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>	<b>Excess Cadre</b>
Senior Level	28	20	08	-
Tertiary Level	48	14	34	-
Secondary Level	1,297	905	392	-
Primary Level	2,534	3,195	-	661
Others	13	-	13	-
Total	3,920	4,134	447	661

**(e) Staff of Institutions established under ordinances (Provincial Councils)**

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>	<b>Excess Cadre</b>
Senior Level	35	21	14	-
Tertiary Level	82	14	68	-
Secondary Level	196	158	38	-
Primary Level	268	226	42	-
Others	-	46	-	46
Total	581	465	162	46

Matters observed in this regard are given below.

**6.11.1 Provincial Council and Local Authorities Staff (Except Education and Health)**

The following observations are made.

- (a) Out of staff of 250 served in the Provincial Engineering Department, 75 officers had not been subjected to a formal transfer procedures and served in the same service station for more than 5 years.
- (b) Thirty two vacancies in 10 posts in the staff of Provincial Engineering Department had existed.

- (c) Sixteen excess staff in 5 posts and shortages of 56 persons in 24 posts in the Staff of Chief Secretariat had existed.
- (d) Even though the post of the Secretary of a Pradeshiya Sabha should consist of the Supra Class Officers of Management Assistants Service, 8 Local Government Officers, a Program Assistant, 4 officers in the Management Assistants Service and 5 Development Officers had been employed in 18 Pradeshiya Sabhs on acting basis.
- (e) Even though the approved cadre of the Revenue Overseers posts in 33 Local Authorities in the North Western Province amounted to 105, the actual cadre as at 31 December 2016 was 57. All 5 approved posts in 2 Local Authorities had fallen vacant.
- (f) There were 80 vacancies for 5 approved posts in the Department of Co-operative Development by the end of the year under review.
- (g) Without taking action to fill the vacancies in the Technological Service of the North Western Province Road Development Department, 6 retired Technical Officers had been employed on contract basis and only the salaries and allowances of Rs.1,482,397 had been paid in the year under review.

### **6.11.2 School Staff**

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The following observations are made.

- (a) A shortage of 83 teachers in 8 schools in the Giriulla Education Zone had existed.
- (b) Principles below the relevant grade in 35 schools where graded principals should be in service, upper grade principals in 43 schools where lower grade principals should be in service and teachers in the Sri Lanka Teachers Service in 65 schools, instead of graded principals had been deployed in the Maho Education Zone.

- (c) Within the Chillaw Education Zone, 48 vacancies of Deputy principals and 33 vacancies of Assistant Principals had existed.
- (d) Teachers in the Teachers Service had been appointed to act in the posts of principals in 33 schools in the Chillwa Education Zone.

### **6.11.3 Health Sector Staff**

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The following observations are made.

- (a) There were 213 vacancies in 22 approved posts and 28 excesses in 4 posts in the North Western Province Department of Ayurveda.
- (b) Even though 16 post of druggists had been approved for 34 Central Dispensaries in 10 Provincial Ayurveda Hospitals, only 8 had been recruited and only one person had been recruited for 22 masseurs' posts.
- (c) Even though the approved sanitary Labourers posts in the Provincial Ayurveda Department amounted to 09, 27 had been recruited. There were 39 labourer vacancies in the hospitals and dispensaries.
- (d) Action had not been taken to transfer 380 nurses who had served more than 10 years in one service station by the end of the year under review.
- (e) As 534 Medical Officers had been employed without being absorbed in to the Provincial Public Service, excess of 80 Medical Officers in 46 Health institutions belonging to the Office of the District Director of Health Services, Kurunegala and the shortage of 76 Medical Officers in 35 Hospitals and Health Institutions could not be balanced.
- (f) There was an excess of 97 persons in 7 posts and a shortage of 168 persons in 28 posts in the approved cadre of the Kuliyaipitiya base Hospital.

- (g) An excess of 74 Medical Officers and a shortage of 20 Medical Officers had existed in 29 primary Medical Treatment Units. Office of the Medical Officer of Health, Institutions and 29 Hospitals belonging to the Provincial Department of Health Services.

## **6.12 Vehicle Utilisation**

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The following observations are made.

- (a) It was informed the Provincial Chief Secretary about one year ago to dispose of 17 motor vehicles belonged to the Office of the District Director of Health Services, Kurunegala which could not be used before being decayed.
- (b) Action had not been taken to recover insurance indemnities in respect of losses caused to 13 Motor Vehicles belonged to the Office of the District Director of Health Services, Kurunegala.
- (c) Even though the repair cost of a motor vehicle belonged to the Ministry of Agriculture, Lands, Irrigation, Fisheries, Animal Products and Health and Agrarian Development which met with an accident on 17 March 2015 amounted to Rs.189,845, the insurance indemnity reimbursement was only Rs.60,302. Accordingly, the order given to recover the loss of Rs.129,543 from the Driver had not been implemented.
- (d) Action had not been taken to complete the dispose of 48 motor vehicles removed from running within 3 months in terms of relevant circular instructions.

### **6.13 Bank Accounts**

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Unbanked receipts of Rs.380,583 relating to the period 01 January 2000 to 31 January 2015 in the Assistant Co-operative Commissioner's Office, Kurunegala had not been settled even during the year under review.

## **7. Accountability and Good Governance**

### **7.1 Action Plan**

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The following observations are made.

- (a) Without drawing attention to achieve the objectives and functions of the Provincial Public Service Commission, the action plan for the year 2016 had been prepared.
- (b) Only two items had been included in the action plan of the Department of Textiles relating to the year under review.

### **7.2 Audit and Management Committees**

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Audit and Management Committee meetings had not been held by the Department of Textiles in terms of Circular No.DMA/2009(1) dated 09 June 2009 of the Department of Management Audit.

### **7.3 Budgetary Control**

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Exceeding the maximum limit of expenditure in respect of Advances to Provincial Public Officers Account relating to a Ministry, 3 Departments and 4 Divisional Secretariats amounting to Rs.8,598,530, not reaching the minimum limit of receipts relating to 2 Divisional Secretariats, amounting to Rs.12,560 and exceeding the maximum limit of debit balance relating to 3 Divisional Secretariat amounting to Rs.1,083,393 were reported.

## 8. **Systems and Controls**

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Special attention of the Provincial Council is needed in respect of the following areas  
Systems and Controls.

<b>System</b> -----	<b>Weaknesses in the System</b> -----
(a) Revenue Control	(i) Unrealistic revenue estimates. (ii) Non-preparation of monthly statement of turnover taxes written off. (iii) Action not taken to recover taxes on property leasing.
(b) Assets Management	(i) Non-accounting of non-current assets. (ii) Non-conducting annual Board of Surveys in respect of assets. (iii) Not taking action in respect of idle assets. (iv) Not taking action in respect of disposable assets.
(c) Human Resources Management	Not taking action on excess and shortages of staff.
(d) Contract Administration	(i) Action not taken to complete approved projects. (ii) Not taking action in respect of contracts completed without standard.
(e) Purchases Control	(i) Non-availability of qualified members in the Technical Evaluation Committees. (ii) Purchases not made in favour of the Provincial Council.