

Western Provincial Council - 2017

The audit of financial statements of the Western Provincial Council for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Councils Act, No.42 of 1987. This report is issued in terms of Section 23 (2) of the Provincial Councils Act.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International 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 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 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 2017 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 09 March 2018.

2.2.2 Other Accounts

The position of presentation of other accounts of the Provincial Council as at 15 July 2018 is given below.

		Relating to the year 2017	

		Total Number of Accounts	Number of Accounts Presented
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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	02
(v)	Other Advance Accounts	05	05

(vi)	Fund Accounts	07	07
(vii)	Statute Accounts	09	09
	Total	----- 107 =====	----- 107 =====

2.2.3 Accounting Policies

The disclosures in respect of arrears of revenue had not been made in the financial statements according to the accounting policies adopted for the preparation of financial statements. However, arrears of revenue amounting to Rs.2,596,501,783 had existed as per to the revenue account.

2.2.4 Failure to account Fixed Assets

The fixed assets had not been shown in the statement of financial position presented by the Provincial Council and also it was not disclosed in the notes to the financial statements that, such assets were existed. According to the report of the movement of non-current assets in the Appropriation Account presented to audit, it was confirmed that the fixed assets valued at Rs.7,331,920,643 were owned by the Provincial Council as at the end of the year under review.

2.2.5 Management of Provisions

The following matters were observed.

- (a) The entire provisions amounting to Rs.209,011,000 estimated in 19 instances under 11 Expenditure Heads of the Ministries and Departments of the Provincial Council had been saved.
- (b) The savings over 50 per cent out of the recurrent provisions relating to 71 instances of 22 Expenditure Heads amounted to Rs.4,213,047,292.
- (c) The total of Maximum Expenditure Limit of the year relating to 14 items of accounts of the Provincial Public Officers Advances amounted to Rs.1,054,329,000 and out of that a sum totalling Rs.349,595,077 ranging from

10 per cent to 77 per cent had not been utilised. Therefore, estimated maximum limits were not realistic.

- (d) A maximum expenditure limit amounting to Rs.3,000,000 had been authorised for the Advance Account 10104 in respect of the loans provided for motor vehicles for the Provincial Council Members. Nevertheless, a sum of Rs.109,006 or 3.6 per cent out of that had only been utilized. Accordingly, the estimated maximum expenditure limit was not realistic.

2.2.6 Unreconciled Control Accounts

The following matters were observed.

- (a) There was an unreconciled balance amounting to Rs.606,458,988 in the Provincial Council at the beginning of the year under review according to the summary report of the imprest accounts in the Appropriation Account of the Department of Health Services.
- (b) A difference amounting to Rs.6,121,458 had remained in the opening balance of the year under review between the General Deposits shown in the summary report of the control accounts of the advance accounts and deposits accounts in the Appropriation Account relating to the Department of Local Government and the General Deposits shown in the Fund Account.

2.2.7 Imprest Account

According to the Provincial Treasury books, the unsettled imprest balance relating to the Department of Health as at the end of the year under review totalled Rs.758,868,879.

2.2.8 Advance Accounts

The total of the loan balances remained outstanding as at the end of the year under review relating to 27 Advances to Provincial Public Officers Accounts amounted to Rs.297,985,694. Out of that, the total of the balances unrecovered for over a period of one year amounted to Rs.219,550,576.

2.2.9 Accounts Receivable and Payable

The balance of the lapsed deposits identified relating to 04 institutions amounted to Rs.8,876,031.

2.2.10 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with the laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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<p>(a) National Budget Circular No.03/2018 dated 16 July 2018.</p>	<p>Even though, the motor vehicles obtained under operating lease should have been used for running at least for 3,000 kilometres monthly, 05 motor vehicles of the Provincial Ministry of Education had not been used for running of 23,882 kilometres and one vehicle of the Department of Co-operative Development had not been used for running of 13,517 kilometres for a six months period and as such the loss incurred by the Government amounted to Rs.1,187,859 and Rs.741,182 respectively.</p>
<p>(b) Circular No.05/2015 of the Secretary of the Ministry of Education dated 29 January 2015.</p>	<p>A sum of Rs.1,489,890 had been collected from the students and the parents of the Nittambuwa Sangabodhi Vidyalaya during the</p>

year 2017, and a sum of Rs.300,000 out of that had been credited to the School Development Society while the balance amount of Rs.1,189,890 had been spent contrary to the Circular.

- (c) Paragraph 04 of the Western Provincial Council Finance Circular No.12/2016 dated 05 July 2016.

Even though, the motor cars should not be deployed for the vehicle pool, a motor car obtained under operating lease had been deployed by the Ministry of Education for the vehicle pool.

- (d) Western Provincial Financial Rules

- (i) Rule 283. 4

Action had not been taken on 81 cheques valued at Rs.407,120 issued from a bank account relating to the Provincial Ministry of Education but not presented for payment and elapsed six months.

- (ii) Rule 560

The Register of Fixed Assets relating to the Ministry of Education had not been updated while a Register of Fixed Assets relating to the Meerigama Base Hospital had not been maintained.

3. Revenue Management

3.1 Estimated Revenue and Actual Revenue

The estimated revenue and the actual revenue of the Provincial Council relating to the year under review and preceding 04 years had been as follows.

Year	<u>Estimated Revenue</u>		<u>Actual Revenue</u>	
	Tax Revenue	Non-tax Revenue	Tax Revenue	Non-tax Revenue
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
2017	39,661	3,318	40,544	3,954
2016	35,544	2,921	37,394	3,809
2015	33,130	2,760	31,540	3,269
2014	28,285	2,992	28,113	2,979
2013	27,302	2,815	22,262	3,259

3.2 Revenue Code No.10-03-07-10

The recoverable pawning licence fees from 15 persons/ institutions relating to 06 Divisional Secretariats as at 31 December 2017 amounted to Rs.235,768.

3.3 Revenue Code No.20-02-01-01

The total of arrears of lease rent of the buildings remained for over a 03 years period relating to the Office of the Chief Secretary and the Divisional Secretariat, Walallavita valued at Rs.515,550.

3.4 Revenue Code No.10-02-04-03

An arrears of revenue amounting to Rs.773,153 for the year 2014 and for preceding years relating to licences of 02 toddy taverns belonging to a person of the Divisional Secretariat, Jaela had existed.

3.5 Revenue Code No.10-02-04-05

Excise licence fees recoverable from 12 institutions relating to 04 Divisional Secretariats as at 31 December 2017 amounted to Rs.1,230,000.

3.6 Revenue Code No.20-02-01-03

(a) Long term land taxes recoverable as at 31 December 2017 from 207 institutions relating to 12 Divisional Secretariats amounted to Rs.16,979,455.

(b) Even though, the land in extent of 0.4225 hectares of the Ragama Water Supply Scheme had been utilized by the National Water Supply and Drainage Board since for a period of 11 years, no tax revenue whatsoever had been received by the Provincial Council.

(c) A land block of the Government in extent about 4 acres 1 rood and 18 perches (698 perches) in the Dickovita Village of the Balagala Grama Niladhari Division, No.171 B belonging to the Divisional Secretariat, Wattala had been leased out to a private party for an agricultural activity on 31 July 1997. The observations thereon are given below.

(i) A loss amounting Rs.6,830,950 had incurred by the Government due to non-recovery of annual conditional tax amounting to Rs.140,000 from the year 1995.

(ii) Even though, it was directed to the Divisional Secretary to cancel the lease agreement in June 2002 due to revealing that respective land had been utilized for commercial purposes, above directive had not been implemented. The lessee had sub-leased 550 perches of above land for a period of 10 years in the year 2005 and constructed 03 houses in remaining land of 148 perches and had requested the residential tenure. However, action had not been taken to clear this land problem.

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 2017 amounted to Rs.401,630,872 as compared with the corresponding surplus for the preceding year amounting to Rs.3,597,241,876.

4.2 Financial Control

The surplus money of the Council had been invested in short term fixed deposits and that investment as at the end of the year under review amounted to Rs.6,750,000,000. In addition to that, the value of the investments in 09 authorities and other funds of the Council as at the end of the year under review amounted to Rs.830,529,498.

4.3 Analytical Financial Review

According to the financial statements presented, the budgeted and actual revenue and expenditure with the respective variances for the year under review and for the preceding year are given below.

	2017			2016		
	Estimated	Actual	Variance	Estimated	Actual	Variance
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
Revenue						
Tax	39,661	40,554	883	35,544	37,394	1,850
Non – Tax	3,318	3,954	636	2,921	3,809	888
Government Grant and Savings	22,406	18,085	(4,321)	36,930	24,102	(12,828)
Total	65,385	62,583	(2,802)	75,395	65,305	10,090
Expenditure						
Personal Emoluments	34,051	33,929	122	36,722	34,038	2,684
Other Recurrent	20,336	18,722	1,614	23,754	20,287	3,467
Capital	54,387	52,651	1,736	60,476	54,325	6,151
	14,748	9,530	5,218	14,918	7,382	7,536
Total	69,135	62,181	6,954	75,394	61,707	13,687

The ratio between the recurrent expenditure and the capital expenditure had been 6:1 in the year under review.

5. Statute Accounts and Fund Accounts

5.1 Economic Promotion Bureau

The following matters were observed.

- (a) If obtain a service of an employee continuously for 24 hours, a rest period should be given thereafter to the employee according to the Labour Rules and Regulations. Nevertheless, a service of a Security Officer had been obtained throughout the month of November 2017 continuously and the payments had been made which subjected to an audit test check. Therefore, it had been a problematic issue whether the execution of objective of the institute of obtaining a high qualitative security service.
- (b) A sum of Rs.210,000 had been paid to the Chief Executive Officer of the Wespro Security Service for providing instructions during the year under review in addition to the salaries and allowances.
- (c) In terms of the Public Administration Circular No.02/99 dated 26 February 1999, it was approved to provide mobile phones only for the Secretaries of the Cabinet of Ministers. Contrary to that, 04 mobile phones valued at Rs.543,810 had been provided to the officers who employed in the Bureau.
- (d) The amount of maintenance expenditure for 04 motor vehicles belonging to the Bureau had been over Rs.1 million per year. The motor vehicle maintenance expenditure during last 05 years had been Rs.7,021,485.
- (e) Four debtor balances amounting to Rs.1,552,414 relating to the project of laying interlock stones implemented under the Bureau had remained outstanding up to now from the year 2014.

- (f) In terms of Section 19(1) of the Statute of the Bureau, the respective rules had not been established for implementation, authorisation of the provisions stated in the Statute and to charge fees.
- (g) The provisions of Rs.26,442,557 had not been utilized by the end of the year under review from the capital grants received in the preceding year and the unspent capital grant as at the end of the year under review amounted to Rs.8,769,154.
- (h) A sum of Rs.21,029,155 had been retained in the current accounts of the Institution as at 31 December 2017. As such a considerable revenue of interest which could have been earned from investing in an effective investment had been deprived.

5.2 Waste Management Authority

The following matters were observed.

- (a) Sums of Rs.701,328 and Rs.1,252,184 had been paid as legal fees to a private lawyer in the years 2016 and 2017 respectively despite that, a legal officer who paid salaries from the Authority was employed in the Authority.
- (b) Fourteen debtor balances valued at Rs.35,790,333 which had not been recovered for over a period of 5 years had been shown in the financial statements while action had not been taken by the Authority to recover those balances.

5.3 Provincial Roads Development Authority

5.3.1 Issuing Bitumen to Contractors

The Authority had issued bitumen of which the cost computed as Rs.1,855,935,254 for 16 contractors from the year 2012 to 2014 on the basis of recovering from the projects. In providing bitumen to each contractor, any agreement had not been entered into or advance bond had not been obtained while a control account or a register thereon had not been made available. The value of the bitumen recoverable from 05 contractors by 10 April 2018 amounted to Rs.30,668,810 while a sum of

Rs.30,597,427 had to be recoverable from 02 contractors only. There was a risk of recovery of money for the bitumen issued as the implementation of the projects are reduced by the time and not awarding contracts for the contractors who obtained bitumen.

5.3.2 Projects carried out outside the Provincial Council

- (a) Five per cent of the estimated amount should be credited to the Provincial Council Fund in terms of the Provincial Financial Rule 429.3 in providing services or carrying out supervision activities for the outside institutions of the Provincial Council by the project authority or implementing authority. Nevertheless, Rs.116,395,667 and Rs.89,908,501 which were the 5 per cent of the project amounts of Rs.2,327,913,340 and Rs.1,798,170,038 respectively relating to the years 2016 and 2017 respectively had not been credited to the Provincial Council Fund.
- (b) In terms of the Provincial Financial Rules 429.4(a), any work should not be accepted until deposit the total cost assessed entirely in advance for the outside projects and if a request received for part payments or to make any changes the approval of the Chief Secretary should be obtained for that request. Nevertheless, such an approval had not been obtained for over 50 per cent of the estimated amount of Rs.2,327,913,340 relating to 04 outside projects of the Authority.

5.3.3 Arrears of Revenue

The total arrears of revenue for the period from the year 2013 to 2016 amounted to Rs.45,847,241 due to not taking action to recovery of arrears of revenue either from legal actions or from other methods according to the Provincial Financial Rule 116.1.

5.3.4 Road Development Fund

According to the recommendations given by the Committee appointed as per the directive of the Provincial Committee on Public Accounts dated 01 August 2013, an account named as capital reserves should have been created and the surplus funds remained in the fund accounts should have been transferred to that account. Nevertheless, 41 projects had been newly commenced in the year 2015 from an

estimated amount of Rs.182,465,000 by utilizing surplus funds and a sum of Rs.370,171,428 out of the balance money of the account had been transferred to capital reserve in the year 2016. In this, context a sum of Rs.1,157,625,144 received from other sources had been transferred to capital reserve account in the year 2016, and therefore the profit earned from the projects was eliminated from the income and expenditure account. As such the profit utilising for the income tax in the future had also been eliminated.

5.3.5 Procurement Process of Supply of Bitumen

An agreement had been entered in to with a private company on 22 November 2016 to purchase 1000 metric tones of bitumen (1,000,000 kilograms) at the price of Rs.49.48 per 01 litre/ 01 kilogram for the Horana (Wagawatta) Asphalt factory and the supplying period had been from 15 November 2016 to 15 April 2017. Subsequently, the rate per unit had been revised as Rs.52.48 up to 15 May 2017. The following matters were observed in this connection.

- (a) Despite, that 423.23 kilograms of bitumen had been supplied in respect of this procurement for the period from 21 November 2016 up to 06 January 2017, the company had informed on 10 January 2017 that it was unable to supply bitumen. Nevertheless, action had not been taken to encash the performance bond valued at Rs.4,948,000 valid until 19 June 2017.
- (b) Action had not been taken to blacklist this company due to not taking action in terms of the agreement.
- (c) There is a risk of encashment of the performance bond as the performance bond obtained had been issued by the Commercial Bank with the conditions that all payments should be made through the account of the Commercial Bank,.
- (d) A clause had been included in the all tender conditions submitted prior to this that the price adjustment will be made as per the bid price which varied with the prices of the Ceylon Petroleum Corporation. Nevertheless, only for this tender a clause had been included, that the supply of contracted quantity of the

material should be made on the fixed price approved during the agreed period. Accordingly, it was not possible to obtain bitumen for low price on receipts of bulk stocks of the Petroleum Corporation or on receipts of the bitumen to the market.

5.3.6 Motor Vehicle Utilisation

Even though, new engines had been replaced for 07 motor vehicles belonging to the Authority the new engine numbers in the registration certificates had not been included by the Commissioner of Motor Traffic.

5.3.7 Loss of Right of Use of Lands

A total area of 10 acres, 01 rood and 23.71 perches in 10 lands for which only entitled land tenure had occupied long term by the persons who had not the legal ownership. As action had not been taken by the management of the Authority to clear that land, the right of use of the land had been deprived by the Authority.

5.4 Road Passenger Transport Authority

The following matters were observed.

- (a) The quotations had been invited by the Road Passenger Transport Authority to provide road permits for 136 roads of the Western Province by an advertisement published in the newspapers of the Government on 06 October 2016 and 288 bus owners had submitted the quotations. The Procurement Committee had decided to provide road permits to 171 persons who quoted the bids and 95 persons out of them had presented to obtain licences. Despite that there were bus owners who submitted the bids action had been taken to provide licences for 31 bus owners by adding a surcharge of 10 per cent to the bid value deviating from the procurement procedure.
- (b) Even though, the constructions of Delgoda Bus stand and 13 trade stalls had been completed by incurring a sum of Rs.32,292,635 in the year 2013 those trade stalls had not been leased out even by February 2018.

5.5 Agri Services Authority

The following matters were observed.

- (a) The major source of receipts of the Authority was the imprests received from the Ministry of Agriculture. A sum of Rs.5,642,440 which received from the above source had remained idle in the bank account of the Authority by the end of the year under review.
- (b) The staff approved by the Department of Management Services had been 19 posts, while the permanent staff stood at 07. The staff recruited on contract basis had been 03 and action had not been taken to fill 09 vacancies in the cadre.
- (c) A sum of Rs.500,000 had been incurred for the project of “Implementation of Conjunctive activities need for Introducing access to Electronic Agriculture” N 58222962047 in the year 2015. Nevertheless, an introduction in respect of electronic agriculture had not been carried out even by the year 2017.

6. Operating Review

6.1 Performance

6.1.1 Government Grants

The Government grants received for development work of the Province for the year under review and the utilization of those grants had been as follows.

Source	Amount Approved	Amount Spent	Amount Under -utilisation
	Rs.Millions	Rs.Millions	Rs.Millions
(i) Provincial Specific Development Grants (PSDG)	692.40	618.13	74.27
(ii) Provincial Development Grants (PDG)	1,365.88	1,285.51	80.37
(iii) Criteria Based Divisional Secretariat Programme (CBG)	259.14	247.36	11.78
(iv) Special Sector Development Grants - Health (HSDP)	414.73	390.43	24.30
(v) Special Sector Development Grants – Education (TSEP)	135.46	135.38	0.08
Total	2,867.61	2,676.81	190.80

6.1.2 Provincial Development Plan

On behalf of the projects under Provincial Development Plan for the year under review, 8,830 work proposals at an estimated value of Rs.5,147.23 million had been approved. The progress of those proposals according to the progress report of the Provincial Council had been as follows.

Particulars	Total Number of Work Proposals	Total Estimated Value of the Works
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		Rs.Millions
(i) Fully Completed	8,504	4,831.77
(ii) Completed less than 50 per cent	57	128.11
(iii) Completed more than 50 per cent	25	69.28
(iv) Not commenced	200	106.23
(v) Under Contentious Nature/ Questionable position	44	11.84
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Total	8,830	5,147.23
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6.2 Management Inefficiencies

The following observations are made.

- (a) Even though, the Divisional Secretariat, Maharagama had entered into 139 long term lease agreements, a lease agreement had been issued only for Headquarters of Boys Scouts.
- (b) The total co-operative societies in the Western Province as at 31 December 2017 amounted to 1,414 and out of that 94 societies or 07 per cent had remained as inactive societies. A proper plan had not been prepared to activate those inactive societies remained as at the end of the year under review.

- (c) Forty one appeals had remained as unable to solve as non-submission of due reports and registers receivable to the Provincial Public Service Commission for the appeals for the reinstatement of service and appeals against the disciplinary orders.
- (d) Two official vehicles requested under operating lease method for 02 officers of the Provincial Ministry of Education had been rejected subsequently and as such those vehicles had to be utilized in the vehicles pool. As such an expenditure of Rs.2,010,660 had to be incurred.
- (e) Even though, a sum of Rs.2,989,600 had been incurred in the year 2017 to purchase sports goods relating to the project of “Providing Sports Equipment required for the Registered Sports Clubs in Colombo District” bearing No.N 77582864004 of the Ministry of Education, the respective sports equipment had not been received by the stores even by January 2018.
- (f) Even though, the Chief Secretary had approved to issue a monthly sub-impresst subjected to a maximum of Rs.150,000 for 03 Regional Offices of the Department of Co-operative Development, the sub-impressts at the rate of Rs.300,000 had been issued in the year under review.
- (g) Even 38 Regional Authorities out of 40 Regional Authorities had not been established, as per the objectives of the Rural Development Statute of the Ministry of Roads. As such it was unable to establish District Authorities for Gampaha, Kaluthara and Colombo Districts. Therefore, the Provincial Authority and a Rural Development Fund had not been established even by the end of the year under review.
- (h) Three hundred and fifty audit reports, that should be issued to the Co-operative Societies as at the end of the year under review had been retained in the Department of Co-operatives. As the delay of the issuing audit reports, the amount of contribution to be granted to the Co-operative Fund could not be determined.

- (i) Even though, it was reported to the Provincial Director of Education in April 2017 that 22 buildings of 22 schools under the Zonal Education Office, Horana had remained in a risky condition for a long period, action had not been taken to remove those buildings.
- (j) A sum of Rs.1,858,320 granted to Divisional Secretary, Diulapitiya in December 2014 for the acquisition of a land for the waste management project of the Gampaha District under “Beautiful Villages Programme” by the Western Provincial Waste Management Authority had been retained in the General Deposit Account.
- (k) Due to non-completion of the investigations of the Office of the Regional Director of Health Services, Gampaha, retention money of the works unsettled for a period ranging from 04 years to 06 years amounted to Rs.846,088.

6.3 Operating Inefficiencies

The following matters were observed.

- (a) There were shortages and excesses in the balances of the sports goods remained in the stores according to the Boards of Survey for the year 2017 of the Provincial Ministry of Education, and the balances remained according to the Inventory Register maintained in the Sports Section and the Registers of the receipts and issues of the project goods. According to the physical verification the value of the shortage of sports goods amounted to Rs.3,209,285 and the value of the sports goods which had not included in the stores registers amounted to Rs.200,510.
- (b) Due to non-utilisation of drugs obtained as per the estimates of the Base Hospital, Meerigama, eleven varieties of drugs amounting to Rs.139,356 were outdated. The action had not been taken to transfer these drugs to other hospitals before expiration of the dates of these drugs.
- (c) Five categories of drugs of which to be kept in the temperature less than 25 celsius and 30 celsius in the Base Hospital, Kiribathgoda had been kept in the ordinary temperature. While twenty two categories of drugs which were outdated amounting to Rs.222,917 and eleven categories of drugs which

prohibited to issue from the year 2015 amounting to Rs.207,605 had been retained in the stores.

- (d) Even though, the equipment valued at Rs.9,632,352 had been purchased since the year 2016 to establish an x-ray unit in the Base Hospital, Kiribathgoda, the activities of that unit had not been commenced even by December 2017.
- (e) Twenty four thousand Vitamin A (megadose) tablets which outdated in December 2017 and 189,000 low quality iron tablets had been kept in the drug stores of the Office of the Medical Officer of Health, Meerigama.

6.4 Apparent Irregularities

The following matters were observed.

- (a) Even though, the judiciary actions had been implemented from the year 2013 in respect of the cash fraud made by misappropriating public aid money which not paid amounting to Rs.1,441,440 or approximate amount received by the Divisional Secretariat, Minuwangoda from 10 February 2011 or in a date near that up to July 2013 or up to a period near that date without being depositing in the Government account, those activities had not been finalised even by February 2018.
- (b) Even though, the Provincial Council revenue in the Divisional Secretariat, Mahara amounting to Rs.915,786 was misplaced in July 2014, the responsible parties had not been identified even by May 2018.

6.5 Idle and Under-utilised Assets

The following matters were observed.

- (a) Six hundred and seventy three pairs of shoes and 556 travelling bags purchased to distribute for the players and the officers participated for 43rd National Sports Festival held on 22 September 2017 which organized by the Ministry of Education, and 09 T-shirts (wet look) and 09 bottoms purchased for officers, 35 T-shirts and bottoms and 39 jackets and 124 T-shirts crocodile type purchased for players had remained in the stores even by 27 January 2018.

- (b) Four thousand eight hundred and one project goods purchased in the year 2017 by incurring Rs.6,424,578 for distribution among the beneficiaries relating to the 04 Divisional Secretariats had remained idle without being distributed.
- (c) Under the programme of providing a pair of shoes as a relief for the children who are getting education of the low income families of the Western Province, 216 pairs of shoes had been provided to the Nittambuwa, Sangabodhi Vidyalaya on 31 January 2017 for 216 students by incurring a sum of Rs.189,920, out of the provisions of the Minuwangoda Pradeshiya Sabha. Nevertheless, those were not provided for the children even by 15 November 2017. As the purchases had been made without considering the requirement of the shoes properly, 90 pairs of shoes which were not utilising in the school had also been supplied.
- (d) Even though, a Government Pharmacy had been constructed in the Pimbura Base Hospital in the year 2014 by incurring Rs.2,960,149 on the provisions of the Ministry of Economic Development and had been handed over on 02 April 2015, the Pharmacy had not been commenced even by January 2018.
- (e) The equipment valued at Rs.3,303,403 obtained by the Base Hospital, Horana in February 2017 had not been utilized and the equipment valued at Rs.943,800 were unnecessary for the kitchen.

6.6 Identified Losses

The following matters were observed.

- (a) In purchasing of 28 generators valued at Rs.54,750,440 for the Offices of the Medical Officers of Health in Kaluthara District in the year 2017, the overpaid money for 23 generators out of that had been a sum of Rs.2,567,440.
- (b) Action had not been taken to recover losses amounting to Rs.240,525 recoverable in respect of the accidents of 06 motor vehicles belonging to the Office of the District Director of Health Services, Gampaha.

- (c) The contract for washing linen in 17 hospitals of the Kaluthara District had been given to 06 contractors and a loss amounting to Rs.1,668,480 had been incurred due to awarding contracts for higher price than the minimum price.

6.7 Deficiencies in Contract Administration

The following matters were observed.

- (a) Even though, several years had elapsed since commencing of the construction of the buildings valued at Rs.11,856,178 in 03 schools of the Mathugama Zone, the work had not been completed even by August 2018.
- (b) Even though, a sum of Rs.7,589,084 had been incurred for construction of the kitchen and a rest room in the Neboda, Hospital in the year 2017 the cracks in the walls of the building and the seepage of water from the roof had shown.

6.8 Delayed Projects

The following matters were observed.

- (a) The Ministry of Roads had taken action to award 12 projects amounting to Rs.9,345,000 to a same Rural Development Society in the year under review. It was observed a long time delay in completion of those 12 projects while the work of those projects had been commenced after a delay ranging from 04 months to 08 months from the date of the approval of the projects.
- (b) Even though, the foundation of a 3 storied building of the Nittambuwa, Sangabodhi Maha Vidyalaya had been constructed and the concrete columns had been constructed up to the slab level in the year 2014, the structure of the building had remained decaying at present due to non-completion of the constructions.

6.9 Commencement of Projects in the Lands/ Properties not properly vested

The following matters were observed.

- (a) A title deed for the land of the Base Hospital Meerigama was not available even though a 70 years had elapsed after commencing patient care services in the year 1947 of the Hospital, which received as a donation of 3 prominent donors of the area.

- (b) Nearly Seventy years had elapsed after commencing the patient care services of the Base Hospital, Kiribathgoda in the year 1948 and the hospital land which was a donation of a prominent donor of the area, had consisted with a land in extent of 2.1437 hectares as per the original plans. But a proper transfer deed in respect of this land was not available in the hospital.
- (c) There were several deficiencies in the Gampaha Educational Zone such as non-vesting of the lands of 16 schools, non-availability of the particulars on activities of transfers of 16 schools, non-completion of activities of transfers of 02 schools, non-submission of written evidence for 106 schools mentioned as properly transferred.
- (d) Even though, eleven schools of which the lands were surveyed and plans prepared had been properly vested out of the schools of the Gampaha Educational Zone, it was revealed as per the information obtained from the schools that there were 43 schools of which lands not surveyed, 13 schools which were not transferred and lands not surveyed, 4 schools of which part of the land only surveyed and 19 schools of which the particulars of land survey not available.
- (e) The information were not made available relating to the proper vesting of the lands belonging to the 33 schools of the Negombo Educational Zone. Even though, it was mentioned that the lands belonging to 50 schools had been vested properly, the evidence were not made available to confirm it.

6.10 Resources given to other State Institutions/ Resources Owned by External Persons

The following matters were observed.

- (a) Even though, the leasing period of 30 years had elapsed from the date of 01 January 1974 in respect of the land given on lease in extent of 1 acre 03 roods and 33 perches belonging to the Divisional Secretariat, Diulapitiya, the tenure of the land had been enjoyed by the Textile Industries Co-operative Society, Ihala Madampella without a leasing agreement.

- (b) Even though, a land in extent of 6.1 perches belonging to the Divisional Secretariat, Biyagama had been taken to maintain the Co-operative Society, Siyambalapewatta for a period since about 50 years, a legal authority had not been transferred by the Divisional Secretary thereon.

6.11 Staff Administration

The particulars relating to the approved and actual cadre as at 31 December 2017 are given below.

6.11.1 Staff of Provincial Council Ministries, Departments and Institutions (except Health and Education Staff)

	Approved Cadre	Actual Cadre		Number of Vacancies
		Permanent	Casual/ Substitute/ Contract/ Temporary	
Senior	963	691	25	272
Tertiary	424	285	04	139
Secondary	4,424	3,695	17	729
Primary	1,678	1,476	04	202
Contract	16	-	04	12
Temporary	14	-	11	03
Total	7,519	6,147	65	1,357

6.11.2 School Staff

	Approved Cadre	Actual Cadre	Number of Vacancies
Principals	2,411	1,837	574
Teachers	35,147	34,254	893
Minor Staff and Supporting Staff	4,487	3,435	1,052
Total	42,045	39,526	2,519

- (a) According to the students ratio the teachers were not adequate for the Special Education Children's Resources Development Unit in the Negombo Educational Zone. Even though, there should be 40 teachers for 176 students relating to 18 Educational Units, only 21 teachers had employed by January 2018.
- (b) One hundred and fifty nine employees had been recruited for the posts of the cadre of the schools of the Horana, Educational Zone without being obtained the approval and the salaries had been paid since number of years.
- (c) Three posts of Deputy Principals and 24 posts of Assistant Principals relating to the Horana Educational Zone had remained as excess cadre.

6.11.3 Health Staff

	Approved Cadre	Actual Cadre		Number of Vacancies	Excess Cadre
		Permanent	Casual/ Substitute/ Contract/ Temporary		
Medical	2,049	2,079	-	-	30
Nursing	3,266	3,145	10	121	-
Supporting Staff	4,256	3,227	51	1,029	-
Minor Employees	3,511	3,220	78	291	-
Total	13,082	11,671	139	1,441	30

Vacancies of 80 officers in 21 posts and excesses of 17 officers in 06 posts had existed in the Base Hospital, Horana.

6.11.4 Staff of Local Government Institutions

	Approved Cadre	Actual Cadre		Number of Vacancies
		Permanent	Casual/ Substitute/ Contract/ Temporary	
Senior	568	386	36	182
Tertiary	243	127	03	116
Secondary	6,153	4,612	41	1,541
Primary	14,457	11,930	982	2,527
Contract	22	-	12	10
Total	21,443	17,055	1,074	4,376

6.11.5 Staff of Institutions Established by the Statutes

	Approved Cadre	Actual Cadre		Number of Vacancies
		Permanent	Casual/ Substitute/ Contract/ Temporary	
Senior	76	60	02	16
Tertiary	99	82	03	17
Secondary	495	412	27	83
Primary	641	623	07	18
Contract	02	-	01	01
Total	1,313	1,177	40	135

6.12 Supervision Over the Affairs of the Local Authorities

The following matters were observed.

- (a) Even though, in pursuance of the Provisions of the Section 4.2 of the Ninth Schedule of the 13th 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 of the accounts of the Local Authorities 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 the year under review and 04 preceding years 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)
2013	48	04	25
2014	48	06	02
2015	48	03	01
2016	48	-	02
2017	48	01	-

- (b) According to the particulars furnished as at 31 December 2017, the arrears of revenue of 48 Local Authorities in the Western Province amounted to Rs.8,410,180,536.
- (c) The value of the Surcharges to be recovered as at 31 December 2017 amounted to Rs.31,794,735 relating to the 21 Surcharges imposed by the Auditor General against officers/ others of 06 Local Authorities.
- (d) Replies to 75 audit queries issued to 12 Local Authorities up to 31 July 2018 in respect of deficiencies observed in the Local Authorities had not been furnished.

7 Good Governance and Accountability

7.1 Unresolved Audit Paragraphs

Advance granted to Divisional Secretariat, Mahara amounting to Rs.915,786 in the year 2014 under the Advance Account Activity to Account Losses of Cash, Stamps

and such type of financial values, Item No.10903 had not been settled even up to the end of the year under review.

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
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2012	27 August 2014	20 January 2015
2013	31 December 2014	13 June 2015
2014	18 September 2015	03 May 2016
2015	16 August 2016	07 February 2017
2016	01 November 2017	19 February 2018

7.3 Execution of Environmental and Social Responsibility

The following matters were observed.

- (a) According to the quarterly supervision reports of the Public Health, Inspector, Gampaha, , out of the 27,925 houses registered in the Gampaha District there were 260 houses without any lavatory as at the end of the year 2016 and there were 417 houses with lavatories but without sanitation. The expected actions to be taken to convert those housing units as more healthy housing units had not been stated.
- (b) The water wells of 2,733 houses out of 27,925 registered houses in Gampaha District had remained in an insecure position.
- (c) Four bakeries out of 29 bakeries, registered under food protection and hygiene in the Gampaha District, 3 out of 65 registered restaurants/ hotels, 10 trade stalls of tea and coffee out of 98 registered trade stalls and 6 out of 183 retail trade stalls had remained in an unsatisfactory position.

- (d) As per the Public Health Inspector's Supervision Report, the number of schools which had not adequate water facilities had been 6 and the number of schools which had not adequate lavatory facilities had been 6 in the area of the Offices of the Medical Officer of Health, Meerigama. Nevertheless, the authorities of Education had not aware in this regard.

8. **Systems and Controls**

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

System	Deficiency in the System
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(a) Revenue Management	Weaknesses in collection of recurrent revenue and arrears of revenue.
(b) Supervision of Local Authorities	* Arrears of revenue and unrecovered surcharges.
(c) Staff Administration	* Vacancies in the cadre of education and health.
(d) Assets Control	(i) Halfway constructed buildings, and unutilized equipment in schools.
	(ii) Outdated drugs and unutilized equipment in the hospitals and Offices of Medical Officers of Health.