

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Western Provincial Council for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Section 23(1) of the Provincial Councils Act, No. 42 of 1987 and National Audit Act, No. 19 of 2018 read in conjunction with Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The summary report was issued on 18 November 2020 in terms of Section 23(2) of the Provincial Councils Act and Sub-section 11(1) of the National Audit Act, No. 19 of 2018, and the Detailed Annual Management Audit Report in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued on 18 January 2021. This report will be presented to Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Sub-section 10(1) of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion, Paragraph of this report, the accompanying financial statements, give a true and fair view of the financial position of the Western Provincial Council as at 31 December 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

1.2.1 Accounting Deficiencies

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>(a) Taking into account the expenditure of Rs. 3,523,893,679 incurred on the acquisition, rehabilitation and improvement of capital assets under the capital expenses, together with the balance of Rs.8,081,758,371 that should have existed by the end of the preceding year, the total value of non-capital assets should have amounted to Rs.11,605,652,050. Nevertheless, the value of non-financial assets had been understated in</p>	<p>All he assets should be brought to accounts.</p>	<p>Non-financial assets were brought to the accounts of the Provincial Councils since the year 2019. Instructions had been given in terms of Circular, No. 17/2019 dated 2019.12.27 to account the assets of the year, but no instructions had been given for the opening balances to be brought to accounts.</p>

accounts by Rs. 7,694,318,719 as at the end of the year under review thus showing a sum of Rs. 3,911,333,331 in the statement of financial position.

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| <p>(b) The gross carrying amounts of the Property, Plant and Equipment of the Provincial Council at the beginning and end of the period should have been disclosed in the financial statements. However, the value of non-financial assets of the Western Provincial Council amounting to Rs. 8,081,758,371 as at 31 December 2018, had not been disclosed in the financial statement as opening balances of the year under review.</p> | <p>It is necessary to ensure that all the assets should be disclosed in the financial statements.</p> | <p>No instructions had been given for the opening bal to be brought to accounts. It is expected to account them in the ensuing year.</p> |
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#### 1.2.2 Un reconciled Accounts

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>(a) According to the financial statements of the Ministries and Departments under purview of the Provincial Council, the recurrent expenditure of the year under review amounted to Rs. 61,380,717,789, but the same amounted to Rs. 61,380,218,434 as per the Treasury books and statement of financial performance of the Fund Account, thus indicating a difference of Rs. 499,355.</p>	<p>The accounts should be reconciled and the correct balance should be brought to accounts.</p>	<p>Action will be taken to find out the offices with the difference and inform to correct the differences with the Treasury books if any.</p>

- (b) The capital expenditure of the year under review amounted to Rs. 7,592,003,271 in accordance with the financial statements of the Ministries and Departments, but the same amounted to Rs. 7,591,646,612 as per the Treasury books and the statement of financial performance of the Fund Account thus indicating a difference of Rs. 356,659.
- The accounts should be reconciled and the correct balance should be brought to accounts.
- Action will be taken to find out the offices with the difference and inform to correct the differences with the Treasury books if any.
- (c) According to the financial statements of 07 Ministries and Departments, the value of losses and write-offs of the year under review amounted to Rs. 5,309,144, but the same amounted to Rs. 540,690 as per the Fund Account thus showing a difference of Rs. 4,768,454.
- The accounts should be reconciled and the correct balance should be brought to accounts.
- The Chief Accounting Officers and Accounting Officers have been instructed to properly account the values.
- (d) The balance at the beginning of the year under review amounted to Rs. 1,304,695,679 as per the books of the Department relating to 02 items of Advances to Provincial Council Officers Account, but according to the Fund Account, that amount was Rs.1,301,982,859, thus indicating a non-reconciliation of Rs. 2,712,820. Furthermore, by the end of the year under review, the balance amounted to Rs. 1,308,881,999 as per the books of the Department relating to the said 02 items of advance account whereas the same amounted to Rs. 1,307,525,750 as per the Fund Account, thus indicating a non-reconciliation of Rs. 1,356,249.
- The accounts should be reconciled and the correct balance should be brought to accounts.
- Instructions were given to correct the differences as soon as possible.

- (e) The books of the Department showed a deposit balance of Rs. 134,325,097 at the beginning of the year under review relating to 02 Departments, but the balance of the Fund Account amounted to Rs. 143,830,283 thus observing a non-reconciliation of Rs. 9,505,786 between the balances. Furthermore, the balances of the books of the Department and Treasury books relating to the said 02 items of deposit accounts, amounted to Rs. 141,225,870 and Rs. 138,634,042 respectively by the end of the year under review. As such, a non-reconciliation of Rs. 2,591,828 existed between the balances.
- The accounts should be reconciled and the correct balance should be brought to accounts.
- Instructions were given to correct the differences as soon as possible.
- (f) As mentioned in the financial statements of 03 Departments, the value of deposits amounted to Rs. 159,613,390 as per the Treasury books at the end of the year under review whereas the same amounted to Rs. 273,628,245 according to the Fund Account. As such, there existed a non-reconciliation of Rs. 114,014,855 between the balances.
- The accounts should be reconciled and the correct balance should be brought to accounts.
- Instructions were given to correct the differences as soon as possible, and follow-up action is being taken.
- (g) A difference of Rs. 613,269,479 was observed in the expenditure incurred on acquiring the capital assets in the year under review between the financial statements of the Ministries and Departments, and the Fund Account.
- The differences should be identified, and the accurate balance should be brought to accounts.
- A part had been identified as assets whilst the other part had been identified as expenses not belonging to assets. The relevant offices have been informed to examine the differences thereby taking corrective measures.

### 1.2.3 Lack of Evidence for Audit

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
Receipts had not been issued in favour of the donations totaling Rs. 5,798,188 received during 2016-2018 to the savings account maintained by the old boys association of the Padmawathi Maha Vidyalaya, Dekatana in Gampaha district. Moreover, the Audit had not been provided with the vouchers relating to the payments of Rs. 3,952,410 that had been made with the monies withdrawn from the said savings account of the old boys association during 2015-2019.	The relevant documents should be made available to the Audit.	This had happened due to lack of knowledge that receipts should be issued in favor of the funds received by the savings account.

### 1.2.4 Unsettled Accounts

#### (a) Imprests

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
According to the financial statements, the Department of Local Government had incurred a sum of Rs. 654,768 in excess of the imprest limit by the end of the year under review. Unsettled imprest balances totalling Rs. 317,051,869 had existed with respect to the Public Service Commission and Department of Health Services.	All the imprest balances should be settled at the end of the year of accounts.	Action will be taken in due course to recover the sum of Rs. 317 million receivable from the Department of Health on the supplies made to the Government.

(b) Remittances

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
According to the books of the provincial Treasury, the unsettled balance of remittances pertaining to the Public Service Commission, Department of Health Services, and the Divisional Secretariats of Kaduwela, Katana, Negambo, and Madurawala, totalled to Rs. 98,285,128.	Balances of remittances should be settled.	It is informed that the balances will be settled by requesting the relevant offices.

(c) Other Advances

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
The advance of Rs. 915,786 given to the Divisional Secretariat, Mahara in the year 2014 under the Advance Account, No. 10903 used to record the loss of funds of the Provincial Council, stamps, and similar items with financial value, had not been settled even by the end of the year under review.	The advance should be settled.	The Secretary to the Ministry of Home Affairs was informed through the Letter, dated 2020.08.28. It was informed by the Divisional Secretary, Mahara that the advance would be settled as soon as the decision is received.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those financial statements are further described in the Auditor's Responsibilities section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with generally accepted Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management of respective institutions including the Provincial Treasury is responsible for overseeing the financial reporting process of the Provincial Council.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Western Provincial Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institution.

#### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the management regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

#### 1.5. Report on Other Legal and Regulatory Requirements

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Special provisions have been set out in the National Audit Act, No. 19 of 2018 in regard of the following requirements.

- (a) In terms of provisions of Section 6(1) (d) (iii) of the National Audit Act, No. 19 of 2018, the financial statements of the Provincial Council are consistent with the preceding year.
- (b) As required by Section 6(1)(d)(iv), the recommendations made by me in the preceding year on the financial statements, had been implemented.

#### 1.6 Non-compliances

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1.6.1 Non-compliances with Laws, Rules, Regulations, and Management Decisions

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Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance	Recommendation	Comment of the Chief Accounting Officer
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	Rs.			
(a) Section 192(iii) in Chapter XVIII of the Western Provincial Council Public Service Procedural Rules.	-	Thirty five Development Officers with a service period of Over 05 years as at 30 September 2019, had remained employed at the same work place in all the Divisional Secretariats of the Western Province over extensive periods without being transferred.	Transfers should be made in accordance with the Rules.	Not Commented
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.				
(i) Financial Regulation 272(3)	10,523,896	Seventy six vouchers valued at Rs. 10,523,896 of the regional office of the Director of health services, Kaluthara relating to the period of 03 months from January to March 2019, had not been made available to the Audit.	The Financial Regulations should be followed.	Not commented
(ii) Financial Regulation 571	6,907,698	Action had not been taken on the general deposit balances that had continued to exist at the Department of Housing Commissioner, and Department of Probation and Child Care Services since the years 1991 and 2011 respectively.	The balances should be settled.	A certain amount had been credited to the Government revenue whilst the balance had been released as retention monies.
(c) Financial Rule 106.7 of the	3,475,117	The Western Provincial Ministry of Local Government	The Financial Rules should be	Not commented



Western Provincial Council.		had conducted two programs on capacity development of the Province, and sharing experience on inter-provincial development, at locations in two different provinces other than the Western Province.	followed.	.
(d) Section V of the National Budget Circular, No. 04/2019 dated 17 June 2019.	15,828,875	Actions should be taken not to allow the officers to participate in seminars / workshops using Domestic Funds if official participation on behalf of Sri Lanka is not mandatory. However, five officers had participated in a program held in Vietnam from 27 August 2019 to 02 September 2019, and 05 officers had participated in a program held in Japan during 15 -21 June 2019.	Provisions of Circulars should be followed.	Not commented .
(e) Sections 5 and 6 of the Rules made under Western Province Co-Operative Employees Pension Scheme, No. 06 of 2010.	28,845,738	According to the Scheme, an employee exceeding 56 years of age is entitled to a pension equivalent to 40 per cent of the combined salary paid to him at the time of retirement in terms of the two schedules of the Rules. However, pensions equivalent to more than 40 per cent of their salaries had been paid to 114 employees of the provincial cooperative pension fund who had been older than 56 years of age as at 31 December 2019.	Pensions should be paid in accordance with the Rules.	Not commented .

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

According to Paragraph 02 of the Letter, No. CSA/1/4 of the Presidential Secretariat dated 26 January 2017 addressing all the Governors and provincial Chief Secretaries, approval of the Treasury should be obtained for a group of less than 05 persons proceeding abroad, and in case of more than 05 persons are to proceed abroad, approval of the Presidential Secretariat should also be obtained in addition to the Treasury approval in terms of Paragraph 03. However, having spent an expenditure of Rs. 66,785,288 , the Provincial Council had allowed 21 officers and 28 members to participate in 13 foreign tours during 2018 and 2019 only under approval of the Governor without being approved by the Treasury.

Approval should be obtained in accordance with the Letter.

Not commented.

02. Revenue Management

2.1 Stamp Fees

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

The stamp fees recovered in term of Chapter X of the Financial Statute of Western Province, No. 06 of 1990, should be credited to the fund of the relevant Local Government in accordance with Section 129 (2) (b) of the Pradeshiya Sabhas Act, No. 15 of 1987, Section 158 (2) (b) of the Urban Councils Ordinance, and Section 185 (2) (c) of the Municipal Councils Ordinance. Nevertheless, the stamp fees recovered by the Western Provincial Council during the year under review, had not been

Should be recognized as a liability instead of revenue before being brought to accounts.

Not commented.

recognized as a liability until being remitted to the relevant Local Governments. Instead, the stamp fees had been considered as a revenue of the Provincial Council, and sums of Rs. 13,488,503,503 and Rs. 17,284,582,079 had been brought to accounts in the years 2019 and 2018 respectively.

2.1 Outstanding Revenue

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
Revenue had been collected by the Provincial Council in the year under review under 30 Revenue Codes. A revenue of Rs. 2,981,468,415 had remained outstanding as at 31 December 2019 with respect to 16 of those Revenue Codes.	The outstanding revenue should be recovered.	Not commented.

03. Financial Review

3.1 Financial Results

According to the financial statements presented, a deficit of Rs. 2,441,053,486 was indicated in the Provincial Council Fund for the year ended as at 31 December 2019 as compared with the corresponding deficit of Rs. 1,322,890,536 for the preceding year, thus observing that the financial result of the year under review had further deteriorated by a sum of Rs. 1,118,162,950. It was observed that the decrease in total taxes and non-tax revenue by Rs. 2,186,264,474 and the increase in recurrent expenditure by Rs. 4,574,852,927 as compared with the preceding year, had attributed to the increase in the deficit of the year under review.

4. Statutory Accounts/Fund Accounts and Advances to Provincial Council Officers Account

#### 4.1 Statutory Accounts/Fund Accounts

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##### 4.1.1 Economic Development Bureau

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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) Project supervising allowances of Rs. 685,000 and Rs. 780,000 had been paid to 04 officers including the Chief Executive Officer in the years 2018 and 2019 respectively from the Wespro security sector project only under approval of the Board of Directors of the Bureau without obtaining approval of the provincial Treasury. The said sums paid since the year 2013 as a fuel allowance, had been paid as a project supervising allowance with effect from March 2018.	Approval of the Provincial Treasury should be obtained.	Not commented.
(b) With the approval given only by the Board of Directors, sums of Rs. 905,887 and Rs. 1,505,823 had been paid to 17 officers of the Bureau including the Chief Executive Officer in the years 2018 and 2019 respectively as a project allowance for supplying services to the health services project implemented at the premises of the Wespro office.	Approval of the Provincial Treasury should be obtained.	Not commented.

##### 4.1.2 Waste Management Authority

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Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) A sum of Rs. 96,747,745 had been accounted as being receivable from 16 Local Governments with respect to supply of waste, vehicle licensing fees and reimbursement of insurance fees, but only 04 Local Governments stated in their financial statements that a sum of Rs. 50,170,363 remained payable to the Authority.	Credit based transactions should be brought to accounts under proper communication and formal procedures.	This service is deemed essential, and provided continuously throughout the year. Action is being taken to recover the balances.
(b) Although waste from 07 Local Governments in Colombo district had been disposed of at the Karadiyana waste management yard located in an area of 25 acres in extent at Piliyandala, Thumbowila, this facility had been maintained without obtaining approval of the Central Environmental Authority in terms of provisions of the National Environmental Act.	The relevant approvals should be obtained.	Action is being taken in accordance with recommendations of the final report issued by the NBRO.

#### 4.1.3 Cooperative Fund

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
A sum of Rs. 220,194,447 had been granted as loans to the Cooperative societies in the year under review. According to the financial statements for the year ended as at 31 December 2019, the total of the loan balances receivable amounted to Rs. 416,688,619. An internal control procedure relating to terms and conditions, and	An internal control procedure relating to terms and conditions, and securities should be in place.	Not commented.

securities for granting loans to the Cooperative societies had not been formulated. Furthermore, loans had been given to the societies irrespective of contributions to the Cooperative Fund being defaulted. Of the loans granted to the Cooperative societies subject to a repayment period of 05 years, a loan balance of Rs. 11,585,824 had continued to exist over a period of 05 years by the end of the year under review.

#### 4.1.4 Cooperative Liquidation Fund

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) It had been scheduled to liquidate 61 societies belonging to the Cooperative Liquidation Account, at the beginning of the year 2019. However, only one society had been liquidated by the end of the year.	The liquidation process should be expedited.	Not commented.
(b) Ten liquidators had been appointed over a period of 35 years for the liquidation of Colombo North Cooperative Society Limited. However, the liquidation process could not be completed. Four lands belonging to the said Society could not be auctioned even by the end of the year under review, thus having an effect on the said delay in liquidation process.	Action should be taken to ensure that the liquidation process takes place without delay.	Not commented.
(c) A period of 16 years had elapsed since the registration of the society,	Action should be taken to ensure that the liquidation process takes place	Not commented.

named Colombo without delay.  
Commercial Engineering  
Limited had been cancelled,  
but, the liquidation process  
had not been completed.

- (d) There had been over 10 Cooperative Societies which had not presented the annual financial statements, but action had not been taken either to take legal measures against those societies, or make new Rules in case of the existing Rules not strict enough. Action should be taken to make Rules sufficiently. Not commented.

#### 4.1.5 Provincial Road Development Authority

	Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a)	The audit opinion on the Western Provincial Road Development Authority had been continuously disclaimed for 08 years from the year 2011 up to 2018.	Corrective measures should be taken to rectify the deficiencies in the accounts.	Not commented.
(b)	Owing to the decision taken by the Authority in the year 2006 to terminate a contract awarded to implement a project under financial assistance worth Rs. 235 million provided by the Asian Development Bank, it had been decided by the Arbitration Board in the year 2012 that a compensation amounting to Rs. 90 million along with the interest of 11.3 per cent thereon be paid. As the appeal filed at the supreme court by the Authority had been nullified on 31 August 2018, a compensation of Rs. 190.2 million had to be paid in the year 2019. However, due to inefficient contract administration, action had not been taken even after a period of 06 years since the said loss occurred, to identify the officers	The Rules should be followed thus taking action to identify the officers responsible.	Not commented

responsible as per Provincial Financial Rules, 51, 52.1, 54 & 55 thereby failing to follow the procedure under Provincial Financial Rules 76.1.8 and 106.

- (c) The sum of Rs. 3,224 million shown in the accounts as being receivable from the Treasury as at 31 December 2019 for the implementation of projects during 2011- 2014 including the carpeting of roads under “*Ran Aruna*” I, II, & III programs, and construction of weekly fair and maternity & child clinics under *Divi Neguma* programme pertaining to the Ministry of Economic Development, had not been recovered even by August 2020. Action should be taken to recover the funds. Not commented.
- (d) A sum of Rs. 24 million remained recoverable as at 31 December 2019 with respect to the divisional mechanical engineering offices in Asgiriya, Moragahahena and Ratmalana that had made repairs and rented machines. Balances that had continued to exist since the year 1996, had also included therein. Action had not been taken to identify the officers responsible in accordance with the procedure set out in Provincial Financial Rules 51, 52.1, 54 & 55, and follow the Provincial Financial Rules 76.1.8 & 106. Action should be taken to recover the funds in accordance with the Rules. Not commented.
- (e) A balance of Rs. 1,297 million payable to the contractors and included in the balances receivable to the Authority from the Government, had remained as uncertified bills as at 31 December 2019. Action should be taken to settle the balances. Not commented.



- (f) Of the funds given by the Provincial Treasury in the years 2016, 2017, and 2018 under the province specific development grants and provincial development grants, a sum of Rs. 89.56 million had been transferred to the reserves in the year 2019 without being used on road development. Action should be taken to utilize the funds on development activities. Not commented.
- (g) (i) Four officers had participated in a programme named as “International Conference on Strategic Methodologies relating to Road Development in Japan” that had been organized by a Japanese university from 15 – 21 June 2019. A sum of Rs. 5,178,530 (US \$ 29,000) had been paid to a local private institution as course fees whilst a sum of Rs. 2,741,374 (US \$ 15,190) had been paid to those 04 officers as casual and combined allowances. However, 02 officers who had not been directly involved in road development activities had also been allowed to take part in that conference. The officers with direct involvement should be allowed to participate. Not commented.
- (ii) A course fee of US \$ 28,750 had been paid for a group of 05 persons at US \$ 5,750 per person, but only a group of 4 persons had participated therein. Accordingly, a sum of Rs. 1,037,875 equivalent to US \$ 5,750, had not been recovered. The overpayment should be recovered. Not commented.
- (h) Without preparing an initial human resource plan and evaluating the human resource requirements in addition to the Only the approved cadre should be employed. Not commented.

cadre approved for miscellaneous projects and works, 424 and 161 persons had been employed by the Authority on *ad hoc* and contract bases respectively by the Authority in excess of the approved cadre.

- (i) The following matters were observed on the utilization of machinery received by the Authority in the year 2012 from the ministry then known as Ministry of Economic Development for carpeting the provincial roads.
- (i) Despite being decided that Rs. 40 million of the sum payable to the Ministry of Economic Development by the Authority for the machinery received in the year 2012 under loans granted by China, be deducted from the sum receivable for the services supplied to the Provincial Council of Sabaragamuwa, a sum of Rs. 45.07 million had been deducted. Accordingly, a sum of Rs. 5,068,165 had been shown in the financial statements since the year 2015 as being receivable from the Ministry.
- (ii) Twenty six units of machinery had remained at the plant in Moragahahena over a period ranging from 1 year and 04 months to 7 years and 08 months as at 31 December 2019 without being repaired. Should be repaired and made use of. Not commented.
- (j) It is the primary responsibility of the management to direct the institution in accordance with the The institution should be directed in accordance with the generally-accepted law. Not commented.

generally-accepted law, but the civil law had been followed in doing so. Accordingly;

- (i) A case filed by 58 parties in regard to the development of Kelaniya – Kiribathgoda road, necessitated the payment of Rs. 104 million to 215 persons.
- (ii) Twelve cases had been filed against the Authority due to reasons such as, damaging public properties during the road development activities, failure to follow civil laws, and defaulting on contractors' payments

#### 4.1.6 Tourism Board

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) Action had not been taken to make and pass Rules relating to the Western Province Tourism Board Statute, No. 03 of 1994 that had been enacted in the year 1994.	Action should be taken to make Rules.	Not commented.
(b) The Tourism Board had entrusted the Negambo Municipal Council with operations, administration, and maintenance of the Negambo Water Park, Ettukala for a period of 03 years with effect from 20 February 2020 through an agreement. According to Condition 03 of the Agreement, the second party may enter into an agreement with a third party in regard of operations, administration and maintenance of the Water Park under consent of the first party. However, the second party had authorized a third party to proceed with operations, administration and maintenance of the Water Park without obtaining approval of the first party even by the end of the year 2019. Moreover, in case of the Water Park being subleased, 30 per cent of the monthly lease rent should be given to the first party by the second party in terms of Condition, 04 of the Agreement. However, as a copy of the Agreement that the second party had entered	Action should be taken in accordance with the Agreement.	Not commented.

into with the third party relating to the computation of lease rent had not been possessed by the Board, the accuracy of the monthly lease rent received by the Board through sublease of the Water Park could not be verified.

#### 4.2 Advances to Provincial Council Officers Account

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) The value of loan balances recoverable from 25 officers who had been transferred from the Zonal Education Office, Gampha to 07 other Provincial Councils, totalled Rs. 1,856,270 as at 31 December 2019 whilst the loan balances recoverable from 14 officers who had been transferred to Local Governments totalled Rs. 1,636,785, but action had not been taken to recover those balances.	Action should be taken for the recovery of loan balances.	A sum of Rs. 1,856,270 remained recoverable from 25 officers who had been transferred to 07 Provincial Councils. A sum of Rs. 1,739,140 remained recoverable from 14 officers who had been transferred to 14 Local Authorities.
(b) The loan balance recoverable from 30 officers of the Zonal Gampaha who had been deceased or retired, totalled Rs. 1,882,869 as at 31 December 2019. The loan balance should be recovered from the gratuity when an officer is retired, and as for a deceased officer, his loan balance should be recovered from the death gratuity. However, due to failure in doing so, a considerable amount of loan balances had aggregated.	A methodology should be in place for the recovery of loan balances.	A sum of Rs. 906,069 remains further recoverable from 30 officers either deceased or retired.

#### 5. Operating Review

5.1 Management Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Chief Accounting Officer -----
(a) A sum of Rs. 7,711,500 had been paid in the year 2018 for the purchase of a computer software with a view to facilitating the operations of the financial division of the Western Provincial Council. However, the new Cigas program introduced by the Treasury had the facility to provide information on consolidated accounts. As such, there should have been no requirement to incur such an expense.	The productivity of the expenditure should be taken into consideration.	Not commented.
(b) The Hon. President had informed to cancel the foreign tour of the Provincial Council officers whose names had been proposed for the participation in the foreign study programme on good governance & leadership in public sector, scheduled to be held in Russia during 21-27 April 2019. Despite that, the Chairman of the Provincial Council and the Secretary of the Council had proceeded with the tour incurring an expenditure of Rs. 2,359,800.	It is the responsibility of the officers to obey the orders / instructions given by the leader of the country.	Not commented.
(c) As for providing shoes and bags for the sportsmen and sportswomen representing the national sports festival held on 27 October 2019 under the sports component of the Western Provincial Development	Action should be taken for achieving the relevant objective.	Not commented.

Grants Programme – 2019, the Provincial Ministry of Education had paid a sum totaling Rs. 6,884,650 on 04 November and 26 December 2019 to purchase 890 pairs of shoes at Rs. 6,475 each for 785 sportsmen and sportswomen, 57 Sports Officers, 30 officers, and 18 KKSs, together with 863 travelling bags at Rs. 1,300 each. As the purchases had been made after conclusion of the sports festival, 636 pairs of shoes and 629 travelling bags had remained in the stores as at 17 January 2020. Even the 254 pairs of shoes and the 234 travelling bags said to have been distributed, were given to the persons other than the sportsmen and sportswomen.

- (d) The official quarters of the medical officers belonging to the dispensary in Bemmulla, had been given to the Department of Police with effect from 28 February 2009 on temporary basis for maintaining a police post under a monthly rental of Rs. 5,000. Even after a period of 10 years as of December 2019 since the building had been given to the police, action had not been taken to recover the monthly rental.
- Action should be taken either to take over the quarters or recover the lease rent. Not commented.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) A number of 803,200 pills of Ferrous Sulphate tablet 22 mg that had been withdrawn from use in the year 2016 at the MOH offices of Bandaragama, Dodangoda and Agalawatta due to being non-compliant with standards, had not been disposed of even up to 19 January 2020.	Action should be taken for disposal.	Not commented.
(b) Of the 28,584 iron pills given on 13 June 2018 in order to be distributed among students of the Pothupitiya Maha Vidyalaya in the educational zone of Kalutara, 18,168 iron pills had been unearthed at the school premises on 14 February 2020.	Necessary action should be taken in this connection.	All the principals in Kalutara zone have been instructed to issue the pills to the schools with a letter signed by the Medical Officer, send a copy to the zonal office, and maintain documents properly.

### 5.3 Apparent Irregularities

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Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) The following matters were observed with respect to the purchase of a bus for the Padmavathi Maha Vidyalaya, Dekatana in the educational zone of Gampaha.	Necessary action should be taken against the Principal.	It was informed through the letter dated 2020.07.07 that a preliminary investigation be carried out on the purchase of the bus.
(i) It had been decided to purchase a bus for the school at the convocation of the old boys' association of this school held on 30 October 2013, and approval had been granted thereon by the Zonal Director of Education, Gampaha. A sum of Rs. 6,645,348 had been credited to the bank account of the old boys' association as at 31 December 2019 in that connection, but a sum of Rs. 5,073,400 therefrom had been spent on other activities.		
(ii) A sum of Rs. 1,200,000 had been paid to a sales center selling vehicles on 19 and 30	Necessary action should be taken	All the observations have been accepted by the

November 2018 as an initial payment for purchasing the bus. The Principal had taken action to obtain a circular loan facility from a leasing company in favor of the balance payment of Rs. 2,700,000. The bus had been registered with the Department of Motor Traffic on 01 January 2019 under the name of the Principal. However, other than the Principal being transferred to another school by July 2020, the officers of the Ministry of Education had not been taken any other action whatsoever.

against the Principal. Principal. It was informed that A board had been appointed for a preliminary investigation through the letter dated 2020.07.07.

(iii) It was revealed that a sum of Rs. 700,000 had been obtained by the Principal from the school development fund. Nevertheless, all the payments for the bus had been made from the donations of the old boys' association.

Transparency should be ensured. A sum of Rs. 700,000 had been obtained from the school development fund for purchasing the bus, and a signed voucher had been furnished without numbers stating that a sum of Rs. 183,428 had been paid.

(iv) A sum of Rs. 2,373,580 collected by the school development association with respect to the Advanced Level classes for the year 2018 and admission of students to Grade 6 for the year 2019, had been misappropriated by the Principal in violation of the Financial Regulations, Circulars, and instructions of the Government.

Disciplinary action should be taken against the Principal. Interdicted with effect from 2020.08.14.

(v) It was verified as per the receipt books that a sum of Rs. 600 had been obtained from each of 191 students in the year 2018, but the values of original copy and the carbon copy of several receipts had been amended. In the year 2019, a sum totaling Rs. 1,180,380 had been collected from 276 sixth graders at Rs. 4,260 from each of them, and of that, only a sum of Rs. 166,200 had been credited to the school development account. The balance amount of Rs. 1,014,180 had not been in physical existence, and no documentary evidence was presented that expenses had been incurred therefrom.

Disciplinary action should be taken. It is clearly observed that public funds have been misappropriated, and Laws and Rules have not been followed.

(b) According to the Minutes of the Business Advisory Committee meeting of the Western It is necessary to ensure that Not commented.



Provincial Council held on 30 October 2017, it had been decided to install a Master Clock System in the rooms of the office bearers, all committee rooms (ABC), and Chamber of the Council in addition to installing digital clocks at the Chamber of the Council, and room & office premises of the Secretary of the Council. Contrary to that decision, however, 142 analogue clocks at Rs.35,387 each, and 27 digital clocks at Rs.96,471 each had been procured covering the entire building of the Provincial Council, thus spending a sum totaling Rs.12,939,346. unnecessary expenses are not incurred.

- (c) The Rural Development Division of the Provincial Ministry of Road and Transport had allocated a sum of Rs. 21,430,290 for 28 projects to develop multipurpose buildings for the community under the provincial development grants of the year 2019, and a sum of Rs. 19,907,144 had been spent therefrom. The following observations were made with respect to the approval and implementation of projects to develop multipurpose buildings for the community, and physical inspections on the multipurpose buildings. When projects are approved and implemented, Action should be taken so that the development activities are distributed within the Western Province itself. Only the maximum number of contracts possible should be awarded to the community based associations. Not commented.
- (i) All the 28 buildings selected had belonged only to the division of a same Divisional Secretariat in Gampaha district.
  - (ii) Only a maximum number of 03 contracts should be awarded at a time to one community based association. Nevertheless, 18 contracts had been awarded to one of the community based associations.
  - (iii) As for making payments to the community based associations, cheques should be handed over to a member of the association. However, cheques had been handed over to an external person and an officer of the staff of the Minister.

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Chief Accounting Officer -----
<p>According to Section 7(2)(c) of the Provincial Councils Act, No. 42 of 1987, the office of the Chairman should not be left vacant until the first meeting of the Council is held following the dissolution of the Provincial Council, and as such, salaries should be paid only to the Chairman of the Provincial Council. However, a sum totaling Rs. 3,972,724 had been paid as salaries and allowances to the personal staff of the Chairman relating to a period in which the Provincial Council had remained non-functional. Although no provisions had been given in the Circular, No. CS/CSA/11-18 of the Presidential Secretariat relating to the management of public expenditure, dated 12 October 2018, a housing rental totaling Rs. 400,000 at Rs. 50,000 per month had been paid to the Chairman of the Provincial Council relating to the period from 22 April – December, 2019 whilst a sum of Rs. 56,990 had also been paid for the year 2019 in addition to the monthly telephone allowance of Rs. 25,000. Apart from that, overtime and travelling expenses totaling Rs. 395,800 had also been paid to 11 persons of the personal staff of the Chairman after dissolving the Provincial Council.</p>	<p>The provisions of the Provincial Councils Act should be followed.</p>	<p>- Not commented.</p>

#### 5.5 Identified Losses

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Chief Accounting Officer -----
<p>The value of losses and damages that should have been recovered by 02 Ministries and 09 Departments, totaled Rs. 58,281,135. Only a sum of Rs. 5,309,144 had been recovered therefrom during the year under review whereas a sum of Rs. 52,971,991 remained further recoverable by the end of the year.</p>	<p>Action should be taken for the recovery of monies receivable.</p>	<p>Not commented.</p>

#### 5.6 Implementation of Projects

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5.6.1 Activities External to the Objectives  
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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
----- Contrary to instructions for the Rural Development Division mentioned in the Guidelines issued by the Chief Secretary to be followed when implementing the projects in the year 2019 proposed under provincial development grants, public address systems worth Rs. 3,700,000 had been given to 66 funeral associations. Moreover, 03 public address systems had been given to a same person who had been the Chairman of 02 funeral associations and a rural development association in the only Grama Niladhari division of the Divisional Secretariat, Katana in Gampaha district. The same address had been mentioned in the applications relating to the 2 funeral associations.	----- Instructions of the Chief Secretary should be followed.	----- Not commented.

5.6.2 Delayed Projects  
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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
----- (a) Hundred projects worth Rs. 132,840,050 approved for Kalutara district and scheduled to be implemented during January – March 2019, could not be completed even by 31 December 2019.	----- Attention should be drawn on the failure in implementing the projects approved.	----- Not commented.
(b) The construction of 3-storied building with outpatient department of the Katugahahena in Kalutara district had been commenced on 19 December 2019 under the provision amounting to Rs. 66,869,349, and an extension of project duration had been obtained on 01 July 2020. As such, the period of delay was 05 years.	----- Action should be taken for expeditious completion of constructions.	----- Not commented.

5.6.3 Abandoned Projects

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Chief Accounting Officer -----
As lists of beneficiaries and registers of requirements had not been provided by the Divisional Secretariat, Panadura relating to 08 projects, projects valued at Rs. 1,900,000 could not be implemented.	Attention should be drawn more on the requirements of the public.	Not commented.

## 5.7 Irregular Transactions

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Chief Accounting Officer -----
A sum of Rs. 1,640,100 had been collected from 213 students enrolled for the Advanced Level classes of the Padmavathi Maha Vidyala, Dekatana, but only a sum of Rs. 284,000 had been credited to the account of the school development association. Accordingly, the sum that had been retained at hand without being credited to the account, amounted to Rs. 1,356,100. It was revealed in the inquiry conducted by the Zonal Director that a sum of Rs. 1,181,000 had been given to a contractor whilst the manner in which the balance amount of Rs. 175,100 had been spent was unclear.	Necessary action should be taken against the Principal.	The Principal was interdicted with immediate effect from 2020.08.12 subject to conditions.

## 5.8 Assets Management

### 5.8.1 Failure to Ensure the Safety of Assets

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Chief Accounting Officer -----
(a) The rear area of a building belonging to the regional engineering office in Nagambo had been used by a private party over an extensive period. The institution had no agreement in that connection, and no rental had also been recovered.	Ownership should be verified and the land parcel should be recovered.	The Provincial Commissioner of Lands and the Divisional Secretary, Negambo are taking measures on the verification of ownership.
(b) A Government land in extent of 11 acres and 26 perches located in	Legal action should be taken against the parties	Not commented.

the division of Divisional responsible.  
Secretariat, Dodangoda, had been  
given on lease in the year 1989.  
With deeds forged by the lessees,  
that land had been sold to 20  
persons.

- (c) A land in extent of 28 acres, 02 roods, and 34 perches located in the division of Divisional Secretariat, Ingiriya had been given on lease. The lessee had prepared fake deeds for that land before being sold to a land sale company. Legal action should be taken against the parties responsible. Not commented.
- (d) The total area of the land at No. 238 Dam Street, Colombo 12 that had belonged to the Colombo North Cooperative Society Limited the registration of which had been terminated, was 11.09 perches. Three perches of the land had been encroached at the time of auction. Without evicting the encroachers, a new plan for the remaining extent of 08.09 perches had been prepared on 18 September 2013 thus selling the land at Rs. 20,417,619. Nevertheless, the said plan had not been approved by the Colombo Municipal Council, and hence, the party that had purchased the land had also become aggrieved, but no action had been taken to acquire the encroached area of 03 perches. Justice should be brought to the aggrieved party, and the encroachers should be evicted. Not commented.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>-----</p> <p>According to Section 201(1) of the Land Directives of the Department of Land Commissioner, the annual lease rent of the sports associations should be computed based on 02 per cent of the undeveloped value of the land. However, action had been taken to recover a lease rent of ½ per cent from the value of Rs. 125,000,000 that had been assessed for the land, ൫.൫.൯൯.6995 given on lease in the year 1991. Accordingly, the value of lease rent that should have been recovered annually, amounted to Rs. 2,500,000, but only Rs. 625,000 had been recovered. As such, the loss sustained by the Provincial Council with respect to the lease period of the land being 30 years, totalled Rs. 56,250,000.</p>	<p>-----</p> <p>Action should be taken to revise the lease agreement.</p>	<p>-----</p> <p>Not commented.</p>

### 5.8.3 Annual Board of Survey

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>-----</p> <p>(a) Eighteen institutions had not conducted Boards of Survey in terms of Financial Rule, 250 thus failing to present the reports to the Auditor General. Boards of Survey had been conducted only by sub offices of 03 more institutions, and no Survey had been conducted by the Head Office.</p> <p>(b) Five institutions had not taken necessary action on the shortages, excesses, and the recommendations made by the Board of Survey following the annual Board of Survey conducted in the year 2018.</p>	<p>-----</p> <p>Board of Survey should be conducted in accordance with Financial Rule, 250.</p> <p>Recommendations made by the Board of Survey should be implemented.</p>	<p>-----</p> <p>Not commented.</p> <p>Not commented.</p>

### 5.9 Staff Administration

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### 5.9.1 School Staff

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
Teachers who had served the same school for 10 years should be transferred in accordance with Circular, No. ED/1/27/1/5/1/2007 of the Ministry of Education, dated 31 December 2007. However, 19 teachers of the WP/Gam Parakrama Maha Vidyalaya, Bandarawatta had been serving that school over a period of 10 years.	The Circulars should be followed.	Not commented.

### 5.9.2 Health Staff

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
With the objective of preventing dengue in Kalutara district, <b>assistant mosquito terminator field officers</b> had been recruited on contract basis in the year 2017. Allowances totaling Rs. 25,675,742 had been paid to 110 such officers in the year 2019. Nevertheless, action had not been taken either to confirm the service of those officers who had been recruited on contract basis 03 years ago, or terminate the period of contract.	Necessary decisions should be taken on their service.	Not commented.

### 5.10 Supervision of Local Authorities

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) According to the information made available as at 31 December 2019, the outstanding revenue relating to 49 Local Authorities in the Western Province totaled Rs. 6,969,680,020.	Action should be taken for the recovery of outstanding revenue.	Not commented.
(b) As for 25 surcharges imposed by me against officers / other persons of 06 Local Authorities, a value totaling Rs. 32,682,529 remained recoverable as at 31 December 2019.	The surcharges should be recovered from the persons responsible.	Not commented.

### 6. Accountability and Good Governance

6.1 Action Plan

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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>An Action Plan for the year 2019 had not been prepared in accordance with the Public Finance Circular, No. 2014/01 dated 17 February 2014 and Financial Circular of the Western Province, No. 07/2014 dated 01 April 2014.</p>	<p>An Action Plan should be prepared in accordance with the Circulars.</p>	<p>The reports could not be presented due to Covid outbreak.</p>

6.2 Observations on the Unresolved Audit Paragraphs

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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>(a) A sum of Rs. 7,500,000 had been approved on 15 August 2018 by the Secretary to the Ministry of Agriculture under the “<i>Shrama Saviya</i>” programme, and without following the procurement procedure, a sum of Rs. 7,436,845 therefrom had been paid to purchase agriculture equipment that had not been included in the budget proposals of the year 2018. The said purchase included 35 grass cutters worth Rs. 596,625. However, eighty five grass cutters had again been purchased at a value of Rs. 1,705,500 on 11 January 2019 without following the procurement procedure. Hundred grass cutters, so purchased had been disbursed among a group of persons selected by the Chairman under the project named “<i>Sithamu</i>”.</p>	<p>Purchases should be made in accordance with the Procurement Guidelines.</p>	<p>Not commented.</p>
<p>(b) As for the construction of a morgue for the Gampaha district General Hospital, a construction company had been awarded with the contract on 14 June 2017 by paying an advance of Rs. 6,590,273 representing 30 per cent of the agreed value. Even after the lapse of the period in which the constructions of the building should have been completed, the constructions had been abandoned halfway with only the foundation laid. The security dated 16 December 2016 had not been encashed, and the balance amount of Rs. 3,916,946 after deducting the value of</p>	<p>Action should be taken against the officers who failed to encash the security bond. Necessary action should be taken against the contractor as well.</p>	<p>Not commented.</p>



works done amounting to Rs. 2,673,327, could not be recovered.

6.3 Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
The Provincial Council had become aware of the “2030 Agenda” on Sustainable Development Goals. However, in order to uplift the quality of life and health of the people living in the division of the Council through new global indicators, no long term plans had been prepared with specific responsibilities being entrusted as at 31 December 2019.	Plans should be prepared in order to achieve the Sustainable Development Goals and Targets.	Not commented.

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