

## Western Provincial Council - 2013

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The audit of financial statements of the Western Provincial Council for the year ended 31 December 2013 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 Council Act, No. 42 of 1987. This report is issued in terms of Section 23 (2) of the Provincial Council 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 the 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. 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 for the 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 internal control of the Provincial Council. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

#### 1.4 Basis for Qualified Audit Opinion

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

### 2. Financial statements

#### 2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Western Provincial Council as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

#### 2.2 Comments on Financial Statements

##### 2.2.1 Presentation of Financial Statements to the Audit

###### a) Provincial Council Fund Account

Provincial Council Fund Account for the year under review had been presented to audit on 17 March 2014.

###### b) Other Accounts

Progress in the presentation of other accounts of the Provincial Council as at 31 March 2014 is as follows.

	<b>Total No of Accounts</b>	<b>As at 31 December</b>	
		<b>No of Accounts Presented</b>	<b>No of not Account Presented</b>
(i) Appropriations Accounts	27	27	-
(ii) Revenue Accounts	30	30	-
(iii) Advances to Provincial Council Officers Accounts	38	38	-
(iv) Commercial Advances Accounts	02	02	-
(v) Other Advances Accounts	06	06	-
(vi) Fund Accounts	06	06	-
(vii) Statutes Accounts	09	08	01

### 2.2.2 Provisions Management

Following observations are made.

- a) Estimated provisions amounting to Rs. 100,224,000 under 10 Objects in 3 Heads of Ministries and Departments had totally been saved.
- b) Commitment to liabilities by exceeding provisions under 93 Objects in 12 Heads of Ministries and Departments amounted to Rs. 114,425,480.
- c) There were 8 instances of increasing the provisions again for the same Objects after provisions being deducted from Objects under 3 Heads.
- d) Expenses had exceeded provisions under 04 Objects with regard to Department of Health by an amount of Rs. 91,790,844.

### 2.2.3 Imprest Accounts

In terms of provincial Treasury books, the total of non-settled Imprest balances was Rs.474,645,582 comprising credits totalling Rs. 480,017,090 and debits totalling Rs.5,371,508 at the end of the year under review. Accordingly , settlements amounting to Rs. 5,371,508 had been made by exceeding the limits of the Imprests granted to 05 institutes.

### 2.2.4 Remittance Accounts

According to the Provincial Treasury books, the non-settled remittance balances totalled Rs.346,771,644 including credits totalling Rs. 350,892,106 and debits totalling Rs.4,120,462 as at the end of the year under review.

### 2.2.5 General Deposits

There was a balance of Rs. 507,586,084 in the General Deposit Account of the Provincial Treasury as at 31 December 2013. The total of deposit balances of 11 institutes that had exceeded 2 years with no action taken as per F.R. 571 , amounted to Rs. 3,773,558.

### 2.2.6 Advances to Provincial Council Officers

The total of the advances to Provincial Council officers of 20 Ministries and Departments that remained outstanding for a long time , was Rs. 142,664,021 out of which, an amount of Rs. 142,067,568 remained outstanding for 4-10 years whereas, an amount of Rs. 596,453 remained so for more than 10 years.

### 2.2.7 Accounting Deficiencies

The interest income of the investments received during the year under review amounted to Rs. 1,177,220,598; nevertheless, only an amount of Rs 1,176,703,665 had been stated in the account of the fund. Hence , the omissions amounted to Rs. 516,933

### 2.2.8 Un-reconciled Control Accounts.

Following differences were there between the Provincial Council Fund Account (provincial Treasury books) and the accounts presented by each department.

<u>Description of Accounts</u>	<u>Balance as per the Accounts of each Department</u> <u>Rs.</u>	<u>Balance as per the Provincial Council Fund</u> <u>Accounts</u> <u>Rs.</u>	<u>Difference</u> <u>Rs.</u>
Thirteen Imprest Accounts	362,464,699	361,092,716	1,371,983
Four General Deposit Accounts	13,442,607	7,008,698	6,433,909
Seven Advances to Provincial Council Officers Accounts	200,041,368	204,968,400	4,927,032
Five Remittance Accounts	-	1,745,154	1,745,154
Two Revenue Accounts	87,570,983	85,730,504	1,840,479

#### 2.2.9 Failure to Account Fixed Assets

Fixed assets had not been mentioned in the financial statement presented by the Provincial Council and the existence of such assets had not been revealed even in the notes of financial statements. According to the movement reports for non-current assets in the Appropriation Accounts presented to audit, the following fixed assets valued at Rs. 1,517,043,269 had been verified to have been owned by the Provincial Council as at the end of the year under review.

<u>Description</u>	<u>Value</u> <u>Rs.</u>
Vehicles (2101)	488,097,708
Furniture and office equipment (2102)	345,081,740
Machines and machinery (2104)	359,516,792
Buildings and constructions (2104)	93,901,072
Lands and developments of lands (2105)	1,913,931
Other (2106)	<u>228,532,026</u>
	<u>1,517,043,269</u>

## 2.2.10 Lack of Evidence for Audit

### Audit Queries not Replied

Twenty eight audit queries issued to 16 Ministries / Departments of the Provincial Council as at 31 October 2014 had not been replied.

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

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

### Non-compliance

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|---|--|
| <p>a) Paragraph (a) of Sub-Constitution (5) in the Constitution 154 of Democratic Socialist Republic of Sri Lanka</p> | <p>Chief internal auditor had not presented particulars of the Management Assistants assigned to Internal Audit Division and duty lists of Internal auditors</p>   |
| <p>b) Section 47 of Employee's Provident Fund Act No 15 of 1985</p>   | <p>An amount of Rs. 1,960,018 had been under credited to the Employee's Provident Fund in the year 2012 as the Cost of Living Allowance had not been considered in calculating the total earnings of the employees appointed on ad hoc basis to the provincial Road Development Authority.</p>                               |
| <p>c) General Contract Act No 03 of 1987</p>  | <p>Contractors , once the contract of which, the cost exceeds Rs. 05 million , has been awarded , should be registered under General Contract Act within 60 days ; nevertheless, 656 contracts to which, tenders had been awarded by Provincial Road Development Authority, was not verified to have followed this rule.</p> |
| <p>i. Sub - section 6(i)(a)</p>   | <p>As the officers of the Procurement and Evaluation Committees of the Provincial Road Development Authority had associated with the tenderers related to 656 contracts for</p>  |
| <p>ii. Section 12</p>   |  |

which a certificate had not been presented to the effect that registration had been made under General Contract Act, those officers had committed a punishable offence under Sections 12 and 8 of the Act.

- d) Sections 16.5 and 16.6 in Chapter xii of Establishments Code of Democratic Socialist Republic of Sri Lanka  
With regard to the amount recoverable to the Government as per the bond and the agreement entered with an Accountant of the Department of Motor Traffic when she was granted foreign study leave, she had been released with only a part of the amount recovered.
- e) Public Finance Circular No 446 dated 01 September 2010  
Mobile phone bills amounting to Rs. 714,751 of the officers of the Waste Management Authority who were not entitled to such a facility had been paid during the year under review.
- f) Circular No 2003/38 of Ministry of Education dated 07 November 2003  
Teachers involved in teaching subjects should undertake 35 periods of 40 minute each per week whereas a teacher in charge of a classroom in addition to teaching should undertake 33 periods. However, performance of 40 teaches of Vishaka Balika Vidyalaya, Sapugaskanda could not be examined as they did not possess time tables.
- g) Treasury Circular No IAI/2002/02 dated 28 November 2002  
A Computer Assets Registry had not been maintained by the Provincial Road Development Authority with respect to computers and accessories worth of Rs. 27,740,949 and computer software worth of Rs. 3,799,606.

- h) Paragraph 04 of Public Administration Circular No 13/2008 dated 26 June 2008 There were instances that officers of higher ranks whom official vehicles had been assigned to , had used pool vehicles.
- i) Circular No බ.ප./සා.ප./10 චා.සේ.මාරු 2013 of Director of Education, Western Province, dated 06 July 2012. Although teachers who exceeded 10 years of service at a school continuously should be transferred, 65 teachers at 19 schools in Kelaniya education zone had been officiating at the same school for more than 10 years.
- j) Western Provincial Financial Regulations 54 Action had not been taken on 15 instances of damages and losses caused to vehicles of Base Hospital , Panadura valued at Rs. 14,438,204
- k) Provincial Council Financial Regulations 29(4) (h) Provisions allocated under supplementary estimates had been transferred to other Objects.

### 3. Income and Expenditure Management

#### 3.1 Income

According to the financial statements presented, a summary of the budgeted and actual income and expenditure for the year under review and the previous year together with the variances is given below.



	2013			2012		
	Budgeted	Actual	Difference	Budgeted	Actual	Difference
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>Income relating to items of Provincial Council.</u>						
Tax Revenue	27,302,025,000	22,262,325,180	5,039,699,820	23,046,025,000	22,156,276,464	889,748,536
Non-tax Revenue	2,815,230,000	3,259,241,399	(444,011,399)	2,832,661,000	3,947,231,780	(1,114,570,780)
Government Grants	11,490,501,000	11,367,755,000	122,746,000	12,485,622,000	9,691,181,000	2,794,441,000
Total	<u>41,607,756,000</u>	<u>36,889,321,579</u>	<u>4,718,434,421</u>	<u>38,364,308,000</u>	<u>35,794,689,244</u>	<u>2,569,618,756</u>

### 3.2 Expenses

	2013			2012		
	Budgeted	Actual	Difference	Budgeted	Actual	Difference
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>Expenses.</u>						
Personnel	22,832,178,812	22,220,542,279	611,636,533	20,930,855,026	20,486,662,368	444,192,658
Emoluments						
Other	12,583,219,117	12,212,444,426	370,774,691	11,165,099,626	10,871,786,649	293,312,977
Recurrent	<u>35,415,397,929</u>	<u>34,432,986,705</u>	<u>982,411,224</u>	<u>32,095,954,652</u>	<u>31,358,449,017</u>	<u>737,505,635</u>
Capital	6,192,358,071	5,054,877,130	1,137,480,941	6,268,353,348	5,465,520,960	802,832,388
Total	<u>41,607,756,000</u>	<u>39,487,863,835</u>	<u>2,119,982,165</u>	<u>38,364,308,000</u>	<u>36,823,969,977</u>	<u>1,540,338,023</u>

Ratio between Recurrent and Capital expenditure for the year under review was 7:1

### 3.3 Outstanding Income

Particulars on the outstanding income as at the end of the year under review and immediately preceding 2 years are as follows.

As at 31 December

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	Rs.	Rs.	Rs.
Tax Income	769,607,586	1,138,048,276	1,426,690,111
Non-tax Income	<u>764,074,279</u>	<u>394,127,295</u>	<u>1,248,958,145</u>
	<u>1,533,681,865</u>	<u>1,532,175,571</u>	<u>2,675,648,256</u>

#### 4. Financial Review

##### 4.1 Financial Result

As per the financial statements presented, there was a deficit of Rs. 2,598,542,256 in the Provincial Council Fund for the year ended 31 December 2013 as compared with a deficit of Rs. 1,029,280,733 for the preceding year.

##### 4.2 Legal Cases.

Some of the legal proceedings initiated by / against Provincial Road Development Authority are as follows.

- a) Five external people had filed 05 lawsuits against the Authority claiming compensation totalling Rs. 4,907,875 on the damages caused to private property in developing roads and illegal acquisition of private property. In one of those lawsuits, compensation of specific amount had not been mentioned.
- b) Two lawsuits had been filed against the Authority by 02 external institutes claiming compensation totalling Rs. 99,457,658 for neglecting the regulations of the agreement and cancellation of contract agreements.
- c) An external person who lost a lower limb following a vehicle accident caused by a driver of the Authority had filed a lawsuit against the Authority claiming compensation of Rs.350,000.
- d) An amount of Rs. 570,140 had to be paid to an employee who filed a case with the Labour Tribunal claiming a compensation from the Authority and reinstatement after his service being terminated.
- e) As a former Accountant of the Authority had neglected repayment of a total of Rs.549,736 comprising an outstanding interest of Rs. 69,917 and the vehicle loan

amounting to Rs. 479,819 obtained by him when he was in service, the Authority had initiated a lawsuit to recover the said interest and the outstanding loan balance.

## 5. Operating Review

### 5.1 Performance

#### 5.1.1 Government Grants

Particulars on the provisions received for the development activities of the Provincial Council and the expenditures are as follows.

<b>Source</b>	<b>Provision Received</b>	<b>Expenditure</b>	<b>Under/(Over) Utilization</b>
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	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
i. Criteria based grants	370,000,000	348,945,781	21,054,219
ii. Provincial Development grants	990,000,000	1,139,637,000	(149,637,000)
iii. Estate school development program	20,000,000	24,934,826	(4,934,826)
iv. Program of 1000 secondary schools	52,000,000	60,474,818	(8,474,818)
v. Other grants- World Bank aids – Education	245,000,000	125,541,864	119,458,136

#### 5.1.2 Provincial Development Plan

Approval had been granted on 10,830 proposals with an estimated value of Rs. 5,248 million for new and continuous works under the Provincial Development Plan for the year under review. Progress of the work proposals , as per progress reports of the Provincial Council , are as follows.

	<b>New works</b>	<b>Continuous work</b>	<b>No of total work Proposals</b>
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a. Fully completed	9,900	146	10,046
b. Completed less than 50%	347	02	349
c. Completed more than 50%	114	01	115
d. Not commenced	<u>320</u>	-	<u>320</u>
	<u>10,681</u>	<u>149</u>	<u>10,830</u>

### 5.1.3 Examination Results

Following observations are made.

- a) Percentages of passing the year 5 scholarship examination of the Provincial Council schools in education zone, Kelaniya for the years 2011, 2012 and 2013 were 10.03 per cent, 10 per cent and 8.9 per cent respectively.
- b) Out of the 83 schools in the education zone, Kelaniya where classes for GCE /OL were held, percentage of passing the examination for 25 schools was 50 whereas, the percentage was 30 for 58 schools.
- c) All of the 43 students who sat for the GCE/OL examination in the year 2012 through 06 schools in education zone , Gampaha, had failed. All of the 83 students sat for the same examination in the year 2013 through 07 Provincial Council schools had failed.
- d) Percentage of passing the year 5 scholarship examination for the Provincial Council schools in the 3 regions of education zone, Negambo was 3 to 7 per cent.

### 5.2 Management Inefficiencies

Following observations are made.

- a) Three thousand three hundred and fourteen students in the primary sections of schools in education zone , Gampaha in 2013 had been identified to be slow

learners and required remedial learning methodologies though, remedial teaching programs had not been implemented for them.

- b) An EX-ECG machine to be used for the heart patients had been possessed by the General Hospital, Gampaha. However, patients had to get the tests performed externally due to lack of staff required for operating the machine.
- c) Project based on Primary students namely “Year 5 scholarship” proposed to be implemented at Provincial Council schools in education zone, Kelaniya at an expense of Rs. 4,100,000 during the year under review, had not been implemented.
- d) In terms of Section 7.3 of Provincial Revenue Service Minute, the Revenue Assessors should pass the conformity test by not more than 3 attempts within 3 years from the date of appointment. As the test had been conducted only once within the 4 years that ended as at 07 July 2014, twelve out of 14 officers promoted as Revenue Assessors on 07 July 2010 had not been able to earn the salary increment and complete the qualifications necessary to confirm the service.
- e) As the service of an officer who was appointed as an Agriculture Development Officer on 16 January 1980 and scheduled to be retired as a Livestock Development Consultant on 18 May 2013 had not been confirmed, his retirement application had been rejected and, his personal file did not contain any of the educational certificates.
- f) In Service Advisors had provided their services only once for some of the subjects taught at Sri Rahula Balika Vidyalaya in Jayawadhanapura zone for the year 2013 whereas, it was 2 days for Mathematics and Sinhala. As the contribution of In Service Advisors had not been provided for Science, Social Studies, and Commerce, the contribution of In Service Advisors to the development of subjects of the school was very limited.
- g) As 09 Principals officiating at provincial schools had not been assigned with duties by attaching to the Provincial Department of Education regularly in the

year 2013, salaries amounting to Rs. 971,000 paid to them within that period had become a futile expense.

- h) In terms of Section 33(1) of Western Provincial Land Development Ordinance No 04 of 2012, a Committee on consultation of lands responsible for compiling the provincial policy on the utilization of lands owned by the Provincial Council within the province should be established by the Western Provincial Council. However, the Committee had not been established even by 28 February 2014.
- i) In terms of Gazette Extraordinary No 1488/32 dated 16 March 2007, permits for permanent transporting passengers should be issued based on the maximum bid by calling for quotations indicating the minimum bid decided by the Road Passenger Transport Authority. Nevertheless, permanent road permits for 30 vehicles had been granted in the year 2013 based on the minimum bid without calling for quotations.
- j) Log sheet fees and entrance fees had been increased by the Road Passenger Transport Authority with effect from 26 March and 01 November 2013. Nevertheless, income through log sheets and entrance fees had respectively been decreased by amounts of Rs. 1,308,600 and Rs. 7,692,750 as those fees had not been charged from the bus station on the Bastian Road taken over by the National Transport Commission.
- k) An amount of Rs. 15,430,547 had been spent as salaries , wages and other payments by the Road Passenger Transport Authority on 51 of its employees officiated at the bus station on Bastian Road carrying out duties of the National Transport Commission. However, those amounts had not been reimbursed from the National Transport Commission.
- l) As the precinct of the bus station in Homagama had caved in on 10 December 2012, the same day that running of busses had been commenced, running of busses had come to an abrupt halt. Despite an lapse of 2 years since the bus station in Homagama had been declared open at an expense of Rs. 52,759,629, the

Road Passenger Transport Authority had not been able to make the station suitable for parking busses.

- m) Following the directive of the Western Provincial Public Accounts Committee to recover an amount totalling Rs. 432,030 related to fuel allowances and telephone charges overpaid to 2 former Chairmen of the Provincial Road Development Authority in 2005 and 2007, action had been taken to obtain approval of the Board of Directors to write off the amount from the accounts rather than recovering from the officers responsible.
- n) Provincial Road Development Authority had granted and recovered staff loans without a Revolving Fund. Instead, housing loans had been paid from a bank deposit whereas, other loans had been paid from the General Fund. Thus, employee loans paid improperly during the year 2013 totaled Rs. 75,373,389.

### 5.3 Operating Inefficiencies

Following observations are made.

- a) As accounts of 55 Cooperative Societies in the province were incomplete, accounts of those societies had not been under scrutiny of the Commissioner of Cooperative Societies for about 11 years.
- b) The outstanding lease amount receivable by the end of the year under review from 09 lands leased out to private companies on long term basis by the Provincial Department of Lands was Rs. 41,597,047.

### 5.4 Matters of Contentious Nature

Following observations are made.

- a) In spite of Agrahara Insurance Scheme is effect for all Public Servants as a Government policy, a group life insurance policy namely “Supasan Guru Parura” had been implemented covering all of the officers in the Western Provincial Public service under the approval of the Governor. Under the 1<sup>st</sup> phase of this scheme, an amount totalling Rs. 4,702,500 at Rs. 900 being the annual contribution from 5,225 principals, teachers and officers officiating at schools and educational offices in the province , had been remitted to Sri Lanka Insurance

Corporation on 31 December 2013. Additionally, an amount of Rs. 156,620 had been spent on inauguration of the program and awareness activities.

- b) The Public toilets on Bastian Road owned by the Road Passenger Transport Authority had been leased out by National Transport Commission in 2010 by calling for quotations sans an agreement of the Authority in the year 2010. Road Passenger Transport Authority had earned Rs. 475,000 per month as rentals for the toilets though, the income deprived of the Authority from 2010 to the end of the year 2013 amounted to Rs. 18,050,000
- c) The land of 32.4 perches owned by a private institute being used as the vehicle park at present by the Provincial Road Development Authority had been proposed to purchase sans approval of the Provincial Cabinet of Ministers for the enhancement of office facilities of the Authority and construction of vehicles park. The Department of Valuation had assessed the land to a Rs. 146 million. The Authority had entered into an agreement with the company to make an advance payment of 50 per cent.
- d) Directives should be compiled by heeding the power vested in the Private Medical Institutes Registration Act No 21 of 2006 and Section 18(2) of this Act detailed out 09 areas for compiling directives. However, as per Section 3(5) of this Act not included under those areas, Gazette Extraordinary dated 22 March 2007 of Democratic Socialist Republic of Sri Lanka stated that revenue receivable to the Provincial Council would be owned by the Private Medical Services Regulatory Committee contrary to the authority of the Director of Health Services for each province to collect revenue. Further, a sum of Rs. 4,689,500 receivable to the Provincial Council as per above Gazette Notification on private medical institute registration fee for the year 2013 had not been recovered.

## 5.5 Uneconomic Transactions

Following observations are made.

- a) A second-hand bulldozer had been purchased by the Waste Management Authority from a Local Authority at a cost of Rs. 5 million sans a proper evaluation report and a test report on quality. The bulldozer had become unusable after working for 1,454 hours.



- b) Provincial Road Development Authority had established 2 asphalt plants at Pannala and Wagawatta at an expense of Rs. 246 million. The idle periods since the establishment up to 30 September 2013 were 306 and 235 days for Pannala and Wagawatta respectively. As the fixed overhead cost per month in this connection was approximately Rs. 03 million, the expense amounting to Rs. 51 million borne during the idle period had become non-economic.

#### 5.6 Irregular Transactions

Following observations are made.

- a) Although the Provincial Director of Health Services had been informed by the Medical Superintendent that the service of the contractor selected for the janitorial activities of the District Hospital , Gampaha up to 30 June 2013 had been unsatisfactory, the Provincial Director of Health Services had signed agreements to obtain his services once again for 2013/2014 at a value of Rs.17,455,357.
- b) When quotations had been called without allowing the specified No of days mentioned in National Procurement Circular No. 08 for obtaining a building on lease for the office of the Governor , the only bid received had been rejected as the ownership of the building could not be verified. The building selected later following a newspaper advertisement in an improper manner did not tally with the necessary specifications.
- c) Members of the Consultancy Committee of the Provincial Ministry of Agriculture had toured in Egypt from 28 February to 05 March 2013 and an amount of Rs.426,676 had been spent from the Provincial Council Fund on 06 family members of them. Despite an amount of Rs. 2,514,488 paid to the office of the Sri Lankan Ambassador in Egypt prior to the tour for the transport and lodging facilities of the officers and members who toured, the Committee members and officers involved in the tour had been paid an amount of Rs. 1,196,345 as combined and casual allowances contrary to Ministry of Finance and Policy Planning Circular No 01/2010/01 dated 11 October 2010.

### 5.7 Idle / Under-utilized Assets

Following observations are made.

- a) Out of amount granted to a school in education zone, Gampaha and another in Kalutara on qualitative inputs for 2013 and previous years , an amount of Rs. 3,114,590 had not been spent and saved as at 31 December 2013.
- b) The X-Ray unit declared open on 11 March 2012 at a cost of Rs. 1,769,310 at Ayurveda Hospital , Molligoda , remained idle without being used even as at 04 December 2013.
- c) Nine bus halts worth of Rs. 3,955,765 produced in 2013 had not been fixed at the relevant places even as at 25 June 2014.

### 5.8 Identified Losses

Following observations are made.

- a) Losses and damages amounting to Rs. 2,243,948 had been reported due to property stolen in 34 primary and secondary schools in education zone , Kelaniya. Out of those losses and damages, an amount of Rs. 2,181,060 had belonged to a duration of 1-10 years whereas , an amount of Rs. 62,888 had belonged to a duration of more than 10 years. Taking actions in this regard as per Financial Regulations/ Provincial Financial Rules was pacing slowly.
- b) As for the drug store in Gampaha hospital as at the end of December 2013, 196,503 drugs of 16 categories valued at Rs. 917,845 had been identified to have been expired whereas, 20,554 drugs of 17 categories valued at Rs. 2,409,305 had been identified to be of inferior quality causing a total loss of Rs. 3,327,150
- c) An amount of Rs. 453,009,391 invested in a private bank by the Provincial Road Development Authority in 1990 could not be retrieved as the bank had been closed. The said amount had so far been accounted as investments under Non-current Assets in the balance sheet.

### 5.9 Contract Administration

Waste water from toilets/washrooms in each floor of the 08 storey building of which construction had been completed in 2000 at a cost of Rs. 450 million to be used for the wards in District hospital , Gampaha , had percolated down various places through concrete slabs in the building. It was hence revealed that an unsafe environment was prevailing inside the building.

### 5.10 Projects Contrary to Objectives

Main duties of the Ministry of Agriculture , Agrarian Development, Minor Irrigation, Industries and Environment included agricultural development activities, taking steps to promote agricultural products and agrarian development, planning projects for the promotion of small and medium scale industries and implementation of training programs through Vocational Training Institutes , development and maintenance of small irrigations, and , planning and implementation of projects for the promotion of environmental activities; nevertheless, 04 projects valued at Rs. 87,205,450 that were not included in main duties , had been implemented in the year 2013.

### 5.11 Weaknesses in Implementation of Projects

Following observations are made on an amount of Rs. 04 million allocated for 04 projects of the Department of Cooperative Development under specific development grants in the year 2013.

- a) Projects related only to 05 towns in the Colombo district were selected , although it had been emphasized that attention on the development of cooperative sector should be drawn on all 03 districts when development plans were prepared in terms of letter No FC/WP/4/6/2013 of the Secretary to Finance Commission , dated 08 August 2013.

- b) In order to develop the livelihood of the selected underprivileged families, the name of the project, “ Development of infrastructure facilities of the *DiviNeguma* fair at the precinct of head office of the Multipurpose Cooperative Society , Maharagama” had been amended as “Development of infrastructure facilities of Coop City daily fair, Molpe, under Multipurpose Cooperative Society, Moratuwa “; however, agreement of the Finance Commission in this connection had not been granted. Furthermore, the cheque to the value of Rs. 2 million had been returned on 31 December 2013 without implementing the project.
- c) Under the facilitation of promoting the consumption of milk, an amount of Rs. 01 million had been granted to Multipurpose Cooperative Society, Colombo South on 22 December 2013 in order to construct 03 milk bars under an estimation of Rs. 350,000 per each. Those milk bars had been constructed near the Railway Station, Homagama, housing complex, Rukmalgama and bus station , Malambe. However, the places where those milk bars had been constructed, belonged to Western Provincial Road Passenger Transport Authority, the milk bars had been taken over by the Authority stating that there was no methodology for those milk bars to be taken over by Cooperative Societies.
- d) Procurement process had not been complied for the project to develop the infrastructure facilities of the Rural Bank building , Egodawatta owned by Multipurpose Cooperative Society, Maharagama. Despite an amount of 20 per cent only should be given for the commencement of work, the Multipurpose Cooperative Society, Maharagama had been granted an amount of Rs. 500,000 as an advance for the commencement of work out of the total estimate of Rs.1,250,000. An another cheque valued at Rs. 500,000 had been written on 31 December 2013 and as this project had not been implemented that cheque had been retained even as at 30 April 2014.

## 5.12 Administration of Vehicles

Following observations are made

- a) A car and a jeep repaired at costs of Rs. 1,104,500 and Rs. 1,537,600 respectively under the special project of the Chief Secretary to repair vehicles in 2008/2009 had been evaluated to be Rs. 400,000 and Rs. 900,000 respectively on 23 November 2013 and disposed at Rs. 377,785 and Rs. 932,000 respectively through tenders.
- b) A cab not taken over by the Provincial Council properly since 1990 had been repaired at a cost of Rs. 2,014,000 under the Chief Secretary's special project to repair vehicles 2008/2009. Having been included in the disposal list in September 2013 after running for 42,970km, the cab had been returned to the Line Ministry in March 2014
- c) Following matters were observed on the utilization of vehicles by the Provincial Road Development Authority.
  - (i) Rs. 7,869,440 worth of fuel had been given without approval from 2011 to March 2014 by exceeding the monthly limit to 05 officers entitled to official vehicles as per Western Provincial Business Circular No 01/2012 dated 13 November 2012.
  - (ii) Ownership of vehicles had been provided to 12 officers with approval for 300-450 liters of fuel by erroneously defining Sections in Financial Regulations 1645. Twenty two officers who had not obtained proper approval by improperly executing the said authority to use official vehicles, had been using those vehicles to travel to and from their homes and on private matters. The value of the fuel used to travel to and from the homes alone amounted to Rs. 6,034,496 from 2011 to March 2014.

- (iii) The maximum monthly rental to be paid on vehicles obtained on rent should be Rs. 40,000 excluding VAT in terms of Public Finance Circular No 353(5) dated 31 August 2004; nevertheless, overpayments amounting to Rs. 795,000 had been made from 2011 to April 2014 on 13 vehicles obtained on rent with monthly rental ranging from Rs. 50,000 to 100,000.
- (iv) As 05 vehicles with higher fuel consumption had been obtained on rent, the additional cost incurred on the Authority amounted to Rs. 1,029,600

### 5.13 Staff Administration

#### 5.13.1 Approved and Actual Cadre

Details on the approved and actual cadre in the Provincial Council as at 31 December 2013 are as follows.

##### a) Ministries, Departments and Institutes of the Provincial Council

	<u>Approved</u> <u>Cadre</u>	<u>Actual Cadre</u>	<u>Vacant Cadre</u>
Senior	2,245	2,213	32
Tertiary	901	618	283
Secondary	10,027	7,795	2,232
Primary	<u>4,670</u>	<u>4,537</u>	<u>133</u>
Total	<u>17,843</u>	<u>15,163</u>	<u>2,680</u>

##### b) School Staffs

	<u>Approved</u> <u>Cadre</u>	<u>Actual Cadre</u>	<u>Vacant</u> <u>Cadre</u>	<u>Surplus</u> <u>Cadre</u>
Principals	1,732	1,692	40	-
Teachers	34,374	31,991	2,383	-
Minor Employees and Assisting Staff	<u>1,051</u>	<u>2,455</u>	<u>-</u>	<u>1,404</u>
	<u>37,157</u>	<u>36,138</u>	<u>2,423</u>	<u>1,404</u>

Following observations are made.

- (i) A considerable No of retired officers who held posts in various positions including top level management of the Departments and Ministries of the Provincial Council had been reappointed on contract basis under the approval of the Governor / Provincial Cabinet of Ministers. Appointments of officers in acting capacity to fill the vacancies in higher grades had been made regularly.
- (ii) Posts for Advisors are not included in the personal staff approved for Provincial Ministers; however, having regularly appointed Advisors for all Ministers including the Chief Minister from January 2008 to January 2013 under the approval of Governor and decisions taken by Provincial Cabinet of Ministers, monthly allowance of Rs. 30,000, and other benefits such as allowances for fuel, vehicles, and telephones had been provided.
- (iii) Two hundred and seventy one and 247 employees had been appointed to Provincial Road Development Authority on contract and ad hoc basis respectively; whereas, 52, 34 and 06 employees had been appointed on contract basis to Waste Management Authority, Economic Development Bureau and Information Technology Resources Development Institute respectively.
- (iv) A person who had not met minimum qualifications as per approved recruitment procedure and the newspaper advertisement calling for applications was appointed to the post of Assistant Director (Human Resources) of the Waste Management Authority on 01 November 2013.

- (v) Interviews held for the posts of Public Relations Officer of the Road Passenger Transport Authority and Deputy Principal had been attended by an internal applicant each. The interview reports stated that those applicants had not fulfilled the basic qualifications required though, the posts had been offered to the officers themselves who attended the interview.
- (vi) The 25 posts of Audit Officers and 04 posts of Management Assistants approved for the Internal Audit Division as at 31 December 2010 had been amended to be 13 and 16 respectively through the Department of Management Services and 08 Management Assistants and 04 new entrant officers officiated at various offices of the Provincial Council had been attached to the Internal Audit Division in October 2013. However, this attachment had breached the Section 3.3 of the recruitment procedure effective at present for Internal Audit Division approved by the Governor on 27 September 2006. The untrained Management Assistants and other officers officiating in the capacity of Internal Auditors had been assigned with duty lists to carry out audits in various offices without audit programs. As per the cadre report approved by the Department of Management Services, the post of the officer in charge of the Internal Audit Division had been given the title “Chief Internal Auditor”. Nevertheless, the title was erroneously used as ” Director (Internal Auditor)”



#### 5.14 supervision of Local Authorities

- a) As per provisions of Section 4.2 in schedule 09 of the 13<sup>th</sup> amendment of Democratic Socialist Republic of Sri Lanka supervision of Local Authorities should be performed by Provincial Councils. However, a proper methodology to supervise Local Authorities had not been implemented. Instead, matters revealed in the audits carried out on accounts of the Local Authorities had been referred to the Heads of Local Authorities. Information pertaining to the year under review and previous 04 years on the instances of Auditor General disclaiming the audit opinion on the accounts of the Local Authorities are as follows.

<u>Year</u>	<u>No of Local Authorities (Financial Statements) Audited</u>	<u>No of Local Authorities (Financial Statements) for which Audit Opinion was Disclaimed</u>	<u>No of Local Authorities (Financial Statements) with Adverse Opinions</u>
2009	48	22	-
2010	48	13	-
2011	48	20	-
2012	48	26	-
2013	48	03	26

- b) Income in arrears related to 48 Local Authorities as per information presented as at 31 December 2013 amounted to Rs. 4,176,603,708.
- c) Following the surcharges imposed by the Auditor General against officers / others of 12 Local Authorities, the value of surcharges recoverable as at 31 December 2013 was Rs. 31,248,292.
- d) Internal audits had not been adequately conducted in Local Authorities.

### 6. Accountability and Good Governance

#### 6.1 Internal Audits

Internal audit program of the Provincial Council had not been presented to audit.

## 6.2 Procurement Plan

Procurement Plans had not been prepared by 16 Provincial Council Ministries and Departments for the year under review.

## 6.3 Tabling of Auditor General's Reports

In terms of provisions of the Section 23(2) of Provincial Councils Act No 42 of 1987 , progress of tabling of Auditor General's reports on the Financial Statements of the Western Provincial Council for the previous years is as follows.

<u>Year</u>	<u>Date the Report was Issued</u>	<u>Date of Tabling</u>
2008	2009.12.10	2010.02.09
2009	2010.10.26	2013.01.08
2010	2012.01.16	2012.05.22
2011	2013.02.28	2013.12.03
2012	2014.08.27	Not tabled

## 6.4 Bank Accounts

Following matters were observed on the maintenance of bank accounts.

- a) Bank reconciliations on 02 Current Accounts of a Ministry had been prepared with a delay of 1-2 months.
- b) Value of non-realized deposits that exceeded 06 months in 04 Current Accounts of 04 institutes was Rs. 647,534.
- c) Actions as per F.R. 396 had not been taken on 100 cheques worth of Rs. 669,075 that exceeded 06 months without being presented to the bank for payments related to 10 Current Accounts owned by 02 institutes.
- d) As for 05 Current Accounts of an institute, there were unidentified credits amounting to Rs. 37,900 and unidentified debits amounting to Rs. 233,665
- e) No action had been taken as per Financial Regulation 486 for 25 dishonored cheques valued at Rs. 208,051 in a bank Account of an institute.

7. Systems and Controls

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

- a) Accounting
- b) Revenue Management
- c) Provincial Council Development Plan
- d) Internal Audit
- e) Supervision of Local Authorities
- f) Staffs