

## **North Western Provincial Council - 2015**

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The audit of financial statements of the North Western Provincial Council for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23(1) of the Provincial Councils Act, No. 42 of 1987. This report is issued in terms of Section 23(2) of the Provincial Councils Act. A detailed report to be tabled in the Provincial Council on the observations appearing in this report will be issued in due course.

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

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

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Provincial Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

#### 1.4 Basis for Qualified Audit Opinion

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

### 2. Financial Statements

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#### 2.1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the North Western Provincial Council as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 2.2 Comments on Financial Statements

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##### 2.2.1 Provincial Council's Fund

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The financial statements of the Provincial Council for the year ended 31 December 2015 had been presented for audit on 30 March 2016.

##### 2.2.2 Other Accounts

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The following observations are made.

###### (a) Revenue Accounts

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According to the Provincial Financial Rules, the Accounting Officers who are given the statutory authority in respect of revenue should prepare Revenue Accounts entrusted to him and submit to the Auditor General. However, 23 Accounts relating to Revenue Codes of the Provincial Council for the year under review had been presented to audit on 01 April 2016.

###### (b) Appropriation Accounts and Other Accounts

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The progress of presentation of accounts for the year under review, as at 31 March 2016 is given below.

#### Name of the Account

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#### Relating to the year 2015

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	Total No. of Accounts	No. of Accounts Presented	No. of Accounts Not Presented	No. of Accounts not Presented relating to the previous year
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(i) Appropriation Accounts	28	28	-	-

(ii)	Advances to Provincial Public Officers' Account	78	64	14	04
(iii)	Loan Facilities Advance Account to Provincial Councilors	01	01	-	-
(iv)	Commercial Advance Accounts	08	05	03	01
(v)	Fund and Statute Accounts	14	12	02	-
(vi)	Revenue Accounts	23	23	-	-
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	Total	152	133	19	05
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### 2.2.3 Accounting Policies

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The following observations are made.

- (a) In terms of provisions in the Circular No.SS/AS/AA dated 24 January 2013, of the Director General of State Accounts the annual accounts should be prepared on accrual basis. Nevertheless, the North Western Provincial Council had not applied that Circular.
- (b) The basis of accounting for fixed assets adopted had not been disclosed along with the accounting policies. Eventhough a considerable amount of expenditure had been incurred on fixed assets from various Capital Provisions since the inception of the Provincial Council up to now, those had not been brought to accounts. Capital expenditure of Rs.2,710,564,365 had been incurred in the year under review as well.
- (c) It was observed that the balance of Rs.148,616,768 shown in the final accounts as loans for authorized advance accounts activities had represented the balance taken after setting off the accounts receivable and payable balances from commercial advance accounts each other. As such, it was observed in audit that the correct values of assets and liabilities had not been disclosed in the financial statements and it was not in compliance with the accepted accounting practices.

### 2.2.4 Accounting Deficiencies

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Commitments in respect liabilities totalling Rs.92,530,521 in the Chief Secretary's Office, Provincial Council Secretariat, North Western Province Governor's Office, 3 Ministries and 13 Departments and a sum of Rs.211,304,618 in 10 Departments, including the Chief Secretary's Office made in excess of the provisions had not been disclosed in the accounts.

## 2.2.5 Unreconciled Control Accounts

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The following observations are made.

- (a) Differences totalling Rs.8,747,647 in comparing the Departmental books with the Provincial Treasury books, relating to the general deposit accounts of the Provincial Department of Health Services and the Department of Textiles as at the end of the year under review and a difference of Rs.2,834,600 in the general deposit payments of the Department of Textile were observed.
- (b) There was a difference of Rs.5,962,250 between the individual balances classification summary of the Advances 'B' Accounts and the Departmental Control Account prepared relating to the year under review by the Ministry of Health and Indigenous Medicine, Provincial Public Service Commission, Provincial Council Secretariat and 3 Departments.
- (c) There was a difference totalling Rs.12,552,711 between the Departmental books and the Treasury books in the advances to Public Officers 'B' Account of the Ministry of Agriculture, Fisheries, Animal Products and Development, Minor Irrigation and Agrarian Development, Provincial Council Secretariat, Divisional Secretariat at Ganewatta and 4 Departments.
- (d) According to the advance accounts of 2 officers in the Department of Agriculture who had gone on transfer in the year 2012 the balance was Rs.173,800 whereas it was stated in the debtors register as Rs.449,942.

## 2.2.6 Accounts Receivable and Payable

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### (a) Accounts Receivable

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- (i) The loan of Rs.7,038,211 granted to operate the Viskam Niwasa of the Chief Ministry under the authorized advances by the end of the year under review had been brought forward continuously for several years without being recovered. Action had not been taken to settle this balance even in the year under review.
- (ii) Eventhough a sum of Rs.13,609,655 had been paid by the Provincial Treasury as a grant to settle losses sustained as a result of cash fraud caused in the year 2010/2011 at Zonal Education Office at Giriulla, shown in the Provincial Treasury deposit account as losses and damages, action had not been taken to finalize and settle those issues though a number of years had elapsed.

- (iii) In terms of Section 43 (1) of the Co – operative Societies Act No.05 of 1972 and rule 43 (ii) of the Co – operative Societies Rule of 1973, every registered society should pay not more than 10 per cent of the annual net profit of the Society and not less than Rs.5 as determined by the Registrar to the Co – operative Fund annually as contributions. However, 257 Co – operative Societies belonging to the Assistant Commissioner’s Office, Chilaw had not paid such money at least once. The balance receivable from those societies amounted to Rs.2,356,483.

**(b) Accounts Payable**  
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- (i) According to the deposit account, a sum of Rs.426,124 was payable to the Department of Agrarian Services since 1993 but action had not been taken to pay this money even in the year under review.
- (ii) Action had not been taken to settle a sum of Rs.1,081,161 payable to the Department of Agriculture which had been brought forward for several years as a taken over loan balances even in the year under review.
- (iii) A sum of Rs.510,250 payable to 134 Sportsmen who had been paid tribute at the celebrations held in 2012/ 2013 and 2013/ 2014 to encourage talented Sportsmen/ Women in the Provincial Ministry of Health had been retained in the general deposit account and refunded to the relevant Ministry subsequently. This money had not been paid even in the year under review.
- (iv) Action had not been taken to settle loan balances of Rs.78,472,568 to be settled by officers who had come on transfer to 2 Provincial Ministries and 2 Departments.

**(c) General Deposit Account**  
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Action in respect of deposits valued at Rs.3,690,075, elapsed for more than 2 years in the Chief Secretary’s Office, Wennappuwa Regional Engineer’s Office and 11 Divisional Secretariats had not been taken in terms of Financial Regulation 571.

**(d) Employees loans Receivable**  
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The total loan balances unsettled by officers due to change of station transfers, deceased, vacated posts, interdicted, retired and other reasons in 3 Provincial Ministries, 11 Departments 11 Divisional Secretariats, Chief Secretary’s Office, Provincial Council Secretariat amounted to Rs.75,523,287.

## 2.2.7 Lack of Evidence for Audit

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The following observations are made.

- (a) As proper registers in respect of fuel consumption of transformers in the Ayurvedic Hospital in Kurunegala belonging to the Provincial Ayurvedic Department and the Divisional Hospital at Alawwa belonging to the Provincial Department of Health Services had not been maintained consumption of 270 liters of fuel purchased from time to time could not be verified.
- (b) It was observed that stock books of drugs in the Horombawa Ayurvedic Central Dispensary had not been updated and recorded entries in pencil. Eventhough 760 bottles of Tripula Quatha, manufactured during the period from January to September 2015, had been issued to the Dispensary, those receipts had not been entered in the Dispensary Stock Book. As such, it could not be ensured in audit that the manufactured drugs had actually been issued to the patients.
- (c) Due to non – presentation of registers, schedules and confirmation of balances in respect of assets and liabilities valued at Rs.69,947,371 relating to 7 items of accounts belonging to the Department of Textiles, those balances could not be vouched.
- (d) As schedules/ registers of fixed assets in respect of opening balances of Rs.15,013,112 and Rs.5,177,851 shown in the non – current assets movement statement of the Appropriation Account in the Department of Textiles and the Department of Probation and Childcare were not made available for audit, those balances could not be examined.

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

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
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(a) Financial Statute No.08 of 1990 of the North Western Provincial Council Section 11 of Chapter vi	Out of the arrears of Turnover Tax totalling Rs.243,392,455 as at 31 December 2010 in the Provincial Department of Revenue, only a sum of Rs.38,522,959 had been recovered as at the end of the year under review. After being exempted a sum of Rs.32,366,302 of that money, arrears of tax recoverable as at the end of the year under review amounted to Rs.172,503,194.

**(b) Financial Rules of North Western Province**

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(i) Rule 54.5

- (a) A preliminary report in respect of cutting the white sandalwood tree located near the auditorium at Ayurvedic Hospital Premises in Kurunegala by an unknown person at night on 30 October 2014 had not been presented even by 31 December 2015.
- (b) Action in terms of Provincial Financial Rules had not been taken in respect of losses and damages caused to cab, bearing No.253 – 6639 belonging to the Puttalam District Office of the Director of Health Services which met with an accident in the year 2014. Eventhough 11 motor vehicles had met with accidents during the year 2015, preliminary or final inquiries reports had not been prepared in this regard and the repair expenses had also not been posted to the register of losses or included in the relevant files.
- (c) The motor vehicle, bearing No.KS – 8730 of the Provincial Ministry of Agriculture had met with an accident. As the complete report was not presented prior to 3 months after the accident, the value of loss amounting to Rs.148,298 could not be recovered.

(d) A complete report in respect of the accident of the motor vehicle bearing No.PE 4121 belonging to the Provincial Ministry of Agriculture had not been presented. Eventhough the repair cost estimate of the vehicle amounted to Rs.4,500,000, the approval had been granted by the Sri Lanka Insurance Corporation for an insurance indemnity of Rs.3,960,000. However this vehicle had been parked in the garage up to 31 December 2015.

(ii) Rule No.54.6

Eventhough the ambulances bearing NOS 43 – 0672 and LW – 0425 belonging to the office of the District Director of Health Services, Kurunegala had met with accidents and the periods of 11 months and 9 months had elapsed as at 31 December 2015 respectively a full report in respect of accidents had not been presented.

(iii) Rules 59

Without obtaining a formal order of strike off from books by the Provincial Ayurvedic Department, a quantity of 3kg and 150 grams of drugs from 4 types of drugs had been written off from books due to expiration.

(iv) Rules 60

Eventhough a register of losses and damages should be maintained, such a register had not been maintained since serveral years. Although a loss of Rs.330,398 had been sustained by the Provincial Department of Revenue from the accident caused to motor vehicle bearing No.KB – 0889 on 01 April 2014, particulars of this had not been documented.



(v) Rule 261.2.2

(a) Eventhough advances obtained for programmes should be settled immediately after the relevant purpose, advances obtained in 07 and 08 instances amounting to Rs.69,400 and Rs.443,590 respectively from Giriulla and Ibbagamuwa Education Zones had not been settled even by 31 December 2015. Advances given to 06 officers in the Ibbagamuwa Zone amounting to Rs.626,340 had been settled after delays ranging from 25 to 104 days.

(b) Out of the advances amounting to Rs.321,000 given to 11 officers in 20 instances in the Kuliypitiya Zonal Education Office, 48 per cent or Rs.154,600 had been settled in cash without utilizing for the relevant purposes.

(vi) Rule 372

Although Accounts of the year under review should be presented to the Auditor General before 31 March of the ensuing year, the accounts of the Department of Textiles for the year 2013 had been presented to audit only on 11 March 2015.

(vii) Rule 379

Provision in the annual financial statements for the expected working losses of advance account activities in the Department of Textiles had not been made.

(viii) Rule 474

Boards of Survey should be appointed and conducted to verify the correctness of goods of all government institutions before 31 December of every year. However Boards of Survey had been appointed on 09 February 2015 and the

Surveys in 22 schools for their 2013 and 38 schools and 2 Zonal Offices for the year 2014 had not been completed. Board of Survey reports of 21 schools, out of 80 schools in which surveys had been completed were not presented to audit.

(ix) Rule 476

Eventhough it was stated that a Board of Survey should be appointed on 15 of December or near that date every year, and the correctness of goods should be verified, the Board of Survey activities of the Provincial Department of Revenue for the year 2015 had not been carried out even by 31 January 2016, the dated of audit.

(c) Circulars

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(i) Circulars of the Secretary to the Ministry of Education  
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(a) Paragraph 3.2 of the Circular No.FD/1/27/1/5/1/2007 and No.2007/20 dated 13 December 2007.

Eventhough the maximum period of service in a school with more facilities is stated 6 years, according to the information obtained from 8 Zones observed that 2565 teachers in 166 schools had been working in a same school for more than 6 years.

(b) Circular No.2008/37 dated 19 September 2008

Despite it was stated that the maximum member of students in a class from grade 1 to grade 5 and from grade 6 to grade 11 should not be more than 40 and 45 students respectively, 181 students had been admitted to Maliyadeva Model Maha Vidyalaya in excess of those limits in the year 2015.

(c) Circular No.23/2013 dated 23 May 2013

Although the maximum number of students to be admitted to one class is 40, 348 students who could be admitted to classes within that limit in 27 schools by 28 February 2015 had not been admitted as per the waiting list.

(ii) Treasury Circulars  
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(a) Circular No. 1A1/2002/02 dated 28 November 2002 of the Secretary to the Treasury

A register of assets for computers had not been maintained by the K/Pothubowa Maha Vidyalaya and the Provincial Department of Revenue.

(b) Paragraph 06 of Budget Circular No.156 of the Secretary to the Treasury dated 16 February 2012.

Expenditure totalling Rs.653,754 had been incurred by the Chief Ministry for the printing of greeting cards and almanacs for the year 2015, purchase of daily newspapers, Printing of Photograph of the Chief Minister etc; not compliance with the circular.

(iii) Circular of the President's Secretary  
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(a) Circular No.PSA/P1/40 dated 04 January 2006

Without an approval, 600 liters of full valued at Rs.65,960 had been obtained by 9 orders for a motor vehicle of an officer who had been paid the fuel allowance from the Chief Minister's Office of the North Western Provincial Council.

(d) Circular No.CSA/P1/40 dated 04 January 2006, Public Administration Circular No.23/2007 dated 23 October 2007 and Circular No.08/2010 dated 24 May 2010 Letter No.NWP/CS/AD/2/22 dated 04 June 2015 of the Chief Secretary of the North Western Province addressed to the President's Secretary.

(i) Despite a clarification in respect of payment of combined allowances and overtime allowances to Provincial Ministers their officials and personal staff had not been determined a sum of Rs.274,721 as combined allowances and a sum of Rs.750,642 as overtime allowances had been paid to the personnel staff of the North Western Provincial Chief Minister during the year 2015.

(ii) A sum of Rs.34,845 as combined allowances and Rs.132,066 as overtime allowances had been paid to 08 officers who did not belong to the personal staff of the Chief Minister.

(iv) Public Finance Circulars

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Public Finance Circular No.402 dated  
12 September 2002 and No.402 (1)  
dated 20 February 2004

Eventhough a report in respect of the annual performance of the North Western Provincial Council should be prepared and tabled in Parliament within 150 days after the financial year, such a performance report had not been prepared and tabled in Parliament.

(v) Circulars of the Ministry of Finance and Planning

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(a) Circular No. 01/ 2010/01 dated 11 October 2010

An overpayment of Rs.1,757,114 made to 36 Provincial Councillers for their foreign trips as combined allowances and incidental allowances by the Provincial Council Secretariat.

(b) Circular No.PFD/RED/01/04/2013/05 dated 30 December 2014

In terms of Paragraph (vi) of the circular, allowances for houses and mobile phones should not be paid to an officer who obtains no – pay or with pay leave for more than one month. Nevertheless, telephone allowances of Rs.494,625 had been paid to 32 officers who had obtained maternity leave and overseas leave in the Ayurvedic Department, office of the District Director of Health Services, Kurunegala and Galgamuwa Hospital.

(vi) Other Circulars

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Paragraph 03 and 05 of the general Circular No.02 – 88/ 2014 (1) dated 16 February 2015 of the Ministry of Health and Indigenous Medicine

Two Family Health Service Officers had signed arrival and departure in a separate attendance register in the Divisional Hospital, Alawwa since 02 June 2014 contrary to the normal procedure.

A sum of Rs.961,977 had been paid as overtime allowances to the Family Health Officers in the Base Hospital Dambadeniya contrary to the circular, who had engaged in Trade Union activities.

(d) Establishments Code

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Section 12.5.4 of Chapter VII

The Deputy Municipal Commissioner of the Municipal Council, Kurunegala had been appointed to act in the Post of Secretary of the Co – operative Employees Commission on 05 September 2014 and the Secretary of the North Western Province Road Development, Transport, Power, Housing and Construction had been appointed to act in the Post of Secretary of the Chief Minister of the North Western Provincial Council from 31 August 2015 to November 2015. Eventhough acting allowances of Rs.97,063 and Rs.32,134 respectively up to September 2015 at 25 per cent of the initial salary should have been paid, sums of Rs.114,230 and Rs.39,086 had been paid and as such an overpayment of Rs.24,119 had been made.

**2.2.9 Transactions not Supported by Adequate Authority**

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The following observations are made.

- (a) A distress loan of Rs.367,550 had been paid to the Director of Small Industries, contrary to the provisions in the National Budget Circular No.142 of 31 December 2008.
- (b) The maximum expenditure limit authorized by the Appropriation Act for Public Officers Advance ‘B’ Account of the Ministry of Education had exceeded by Rs.11,220,787.
- (c) Particulars of salaries of 2 officers who had been re – employed on contract basis after retirement, being completed the age of 60 years in the office of the District Director of Health Services, Puttalama were not made available for audit. Contrary to the conditions stated in the letters of appointment on contract basis of these 2 officer’s salaries had been revised as per Public Administration Circular No. 06/2006 and an overpayment of Rs.1,829,055 had been paid during the period from January 2006 to December 2014 as pensions.
- (d) Eventhough there was no provision to pay fuel allowances as supervisory councillors, fuel allowance totalling Rs.160,000 at Rs.10,000 per month had been paid to 2

Provincial Councillers of North Western Provincial Council for the period from January to August 2015 in respect of serving as supervisory councillors in a Provincial Ministry.

- (e) Despite there was no provision to pay combined allowance, fuel allowances and telephone allowance to the Chairman, Organizer of the Government wing and Organizer of the Opposition wing in terms of National Budget Circular No.142 of 31 December 2008, the Provincial Council Secretariat had paid a sum of Rs.1,115,000 as such allowances.

### 3. Revenue Management

The estimated revenue as compared with the actual revenue of the year under review and the preceding year in the Provincial Council under each revenue code is given below.

Revenue Code No	Particulars of Revenue	2015		2014	
		Estimated Revenue	Actual Revenue	Estimated Revenue	Actual Revenue
		Rs.(Mn)	Rs.(Mn)	Rs.(Mn)	Rs.(Mn)
10.02, 10.03	Taxes on Manufacturing and Expenses	5,413.00	5,658.70	5,153.00	5,036.40
20.02	Rents, Interest and Dividends	180.00	187.16	252.00	184.67
20.03	Sales and Fees	459.94	536.64	623.00	486.78
20.06	Sale of Capital Goods	10.00	0.20	27.00	11.77
	<b>Total</b>	<b>6,062.94</b>	<b>6,382.70</b>	<b>6,055.00</b>	<b>5,719.62</b>

The following observations are made.

- (a) In terms of Provincial Financial Rule 41.1.4 action had not been taken to prepare realistic and correct estimates by the Accounting Officers, and as such the actual revenue, not exceeded the estimated revenue had ranged from Rs.598,277 to Rs.366,222,570 or from 2.34 per cent to 97.7 per cent relating to 11 revenue items. The actual revenue in excess of the estimated revenue relating to 08 revenue items had increased ranging from Rs.1,705,769 to Rs.501,740,558 or from 4.26 per cent to 275.19 per cent.
- (b) Revenue from fees and receipts under the Motor Traffic Act, interest on investments and miscellaneous receipts Revenue Heads had decreased by Rs.3,378,245, Rs.9,020,913 and Rs.6,309,852 respectively in the year under review as compared with the preceding year.
- (c) Out of the revenue on motor vehicle fines remained outstanding at the beginning of the year amounting Rs.831,085 only Rs.60,000 had been recovered during the year under

review. Out of the arrears of motor vehicle revenue license fees amounting to Rs.7,616,648, any amount whatsoever had not been recovered.

- (d) Out of the arrears of stamp duties charged on transfer of properties amounting to Rs.76,554,598 existed at the beginning of the year, only a sum of Rs.23,253,600 had been recovered during the year under review and a sum of Rs.60,496,965 had to be recovered by the end of the year.

#### 4. Financial Review

##### 4.1 Financial Results

According to the financial statements presented, there was a surplus of Rs.1,400,467,030 in the Provincial Council Fund for the year ended 31 December 2015 as compared with the corresponding surplus of Rs.44,909,677 in the preceding year.

##### 4.2 Analytical Financial Review

###### Revenue and Expenditure

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

	<u>2015</u>			<u>2014</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Rs.Mn</u>	<u>Rs.Mn</u>	<u>Rs.Mn</u>	<u>Rs.Mn</u>	<u>Rs.Mn</u>	<u>Rs.Mn</u>
<b><u>Revenue</u></b>						
Tax Revenue	5,450.00	5,658.70	(208.70)	5,153.00	5,036.39	116.61
Non Tax Revenue	725.00	724.03	0.97	902.00	683.22	218.78
Government Grant	25,017.38	24,417.02	600.36	20,672.10	19,393.21	1,278.80
Total	31,192.38	30,799.75	392.63	26,727.10	25,112.82	1,614.20
<b><u>Recurrent Expenditure</u></b>						
Personal Emolument	22,213.90	21,859.94	353.96	17,263.00	16,999.31	263.69
Other Expenditure	5,486.51	4,828.78	657.73	4,856.50	4,199.26	657.24
Sub Total	27,700.41	26,688.72	1,011.69	22,119.50	21,198.57	920.93
Capital Expenditure	3,401.92	2,710.56	691.36	4,067.70	3,869.33	198.37
Total	31,102.33	29,399.28	1,703.05	26,187.20	25,067.90	1,119.30

The following observations are made.

- (a) The total tax and non – tax revenue for the year under review amounted to Rs.5,668,697,124 and such revenue for the preceding year amounted to Rs.5,036,392,435, thus indicating an increase of total revenue by Rs.632,304,689.
- (b) The recurrent expenditure of the year under review had increased by Rs.5,490,146,947 as compared with that of the preceding year.
  - (i) Salaries, wages and other employee benefits expenditure in the year under review amounted to Rs.21,859,949,787 and the expenditure of the preceding year amounted to Rs.16,999,315,509 and as such that expenditure had increased by Rs.4,860,634,278 or 29 per cent.
  - (ii) Expenditure of the year under review on other goods and services amounted to Rs.1,809,621,789 whereas it was Rs.1,688,881,659 in the preceding year and as such it had increased by Rs.120,740,130 or 7 per cent.
  - (iii) Other recurrent expenditure of the year under review amounted to Rs.74,071,607 whereas it was Rs.34,263,176 in the preceding year and as such it had increased by Rs.39,808,431 or 116 per cent.
- (c) Out of the total provision of Rs.612,565,296 relating to 14 Heads under the Provincial Ministries and Departments, provisions of Rs.468,613,584 had been saved in 70 instances. The entire provision of Rs.113,935,000 relating to 18 heads in 63 instances had been transferred to some other Objects, the entire provision of Rs.524,930,000, a sum of Rs.166,696,617 in 125 instances had been transferred to some other Objects.
- (d) Out of the provision of Rs.4,125,906 allocated under supplementary estimates in 8 instances relating to 4 Heads, a sum of Rs.2,159,913 had been saved. A sum of Rs.2,920,311,000 had been transferred to 06 Objects and saved a sum of Rs.112,715,315 therefrom.
- (e) Despite there was an estimated provision of Rs.350,000,000 for one Object in the Chief Secretary's Office, another sum of Rs.150,000,000 had been obtained from a supplementary. Eventhough a sum of Rs.40,000,000 had been transferred to some other expenditure items, in two instances the expenditure incurred during the year under review amounted to Rs.30,132,536, which was a lesser amount of the estimated provision.
- (f) Out of 312 expenditure items relating to the Chief Secretary's Office of the North Western Province, Provincial Council Secretariat, Provincial Governor's Office, 3 Ministries and 8 Department's, there was a variance of Rs.891,237,274 between the total net provision and the actual expenditure. The reasons for variance presented could not be accepted.



#### 4.2.2 Special Issues on Financial Position

According to the information made available special issues of the following items stated in the statement of financial position of the year under review and the preceding year are shown in the table given below.

Item	Year under review	Previous year	Percentage of difference as per previous year
	Rs.	Rs.	%
<b><u>Financial Assets</u></b>			
- Cash and cash equivalent	3,650,178,880	2,360,858,419	54.61
- Loans to provincial public officers	907,238,026	876,987,398	3.45
- Loans to approved advance accounts activities	148,616,768	164,655,382	9.74
Total financial assets	4,706,033,674	3,402,501,199	38.31
<b><u>Liabilities</u></b>			
Deposits and other liabilities	512,122,412	609,056,968	15.91
Loan balances taken over	1,081,161	1,081,161	-
Total assets balance over total liabilities	513,203,573	610,138,129	15.88
Total Liabilities over total assets balance	4,192,830,101	2,792,363,070	50.15
Opening balance of the Provincial Council Accumulated Fund	2,792,363,071	2,747,453,393	1.63
Budget surplus of the year	1,400,467,030	44,909,677	3018.4
Year end balance	4,192,830,101	2,792,363,070	60.89

The following observations are made in this regard.

- (a) The acquired loan balance of Rs.1,081,161 receivable from the Department of Agriculture had been brought forward in the accounts for several years and action had not been taken to settle it.
- (b) The budget surplus of the previous year amounted to Rs.44,909,677 whereas it had increased up to Rs.1,400,467,030 or 3018.4 per cent in the year under review.

#### 4.2.3 Special Cases in the Cash Flow Statement

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According to the information made available, significant items in the cash flow statement for the year ended 31 December 2015 are given below.

Item	Value
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	Rs.
1. Net cash flow from operating activities	1,328,206,095
2. Net cash flows from investing activities	72,260,935
3. Net cash flow from financing activities	(148,728,882)
4. Net cash flow	1,251,738,148
5. Cash and cash equivalent at the beginning of the year	1,281,812,838
6. Cash and cash equivalent at the end of the year	2,533,550,986

The following matters were observed.

- (a) Composition of the cash and cash equivalent at the beginning and the end of the year had not been shown in the cash flow statement as a note and the value of cash and cash equivalent as at 31 December amounted to Rs.2,533,550,986.
- (b) The net cash flow in the previous year amounted to Rs.321,388,736 and it was Rs.1,251,738,148 in the year under review thus indicating an increase of Rs.930,349,412.

#### 4.3 Legal Cases Initiated Against or by the Council

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A sum of Rs.13,609,655 which had been given for the write off of the cash fraud incurred at the Giriulla Education Zonal Office shown as losses and damages under Provincial Treasury deposit account had not been recovered back. Legal action in this regard had not been taken even by the end of the year under review. It was informed on 30 June 2011 that if it is decided that the People's Bank would legally responsible for this fraud, that bank would take action to pay this loss as a responsible Bank.

### 5. Authority Accounts/ Fund Accounts and Commercial Advance Accounts

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#### 5.1 Authority Accounts/ Fund Accounts

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(a) **Audit Opinion**

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Qualified audit opinions in respect of 09 Authorities established in the North Western Provincial Council and qualified opinion had been expressed 04 out of 05 Fund Accounts. An unqualified audit opinion had been expressed in respect of only one Fund.

**(b) Financial Result**

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The overall financial result of each Authority/ Fund for the year under review were observed as follows.

<b>Name of Authority/ Fund</b>	<b>Overall income</b>	<b>Overall expenditure</b>	<b>Net benefit (deficit) surplus</b>	<b>Net result as a percentage of overall income (%)</b>
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	Rs.	Rs.	Rs.	
Machinery Authority	61,399,710	103,080,178	(41,680,468)	(67.88)
Provincial Environment Authority	21,863,004	20,000,600	1,862,404	8.51
Wayambe Development Authority	17,347,912	21,098,569	(3,750,657)	(21.6)
Pre – child Education Development Authority	19,620,523	25,803,997	(6,183,474)	(31.5)
Industrial Services Bureau	84,253,211	81,896,033	2,357,178	2.79
Road Passenger Transport Authority	93,370,320	90,361,124	3,009,196	3.22
Human Resources Development Authority	159,636,622	156,040,893	3,595,729	2.25
Divisional Resources Development Authority	6,861,901	4,681,455	2,180,446	31.7
Wayamba Janakala Foundation	43,738,487	43,644,603	93,884	0.21
Chief Minister’s Fund	2,000,000	4,319,892	(2,319,892)	(116)
Sports Fund	242,928	149,116	93,512	38.49
Provincial Irrigation Sustainable Maintenance Fund	2,362,767	959,420	1,403,347	59.39
Wayamba Housing and Construction Development Fund	3,186,330	3,047,140	139,190	4.36
Wayamba Co – operative Employees Pensions Scheme	65,110,387	45,184,231	19,926,156	30.6

**(c) Financial Position**

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The financial position of each Authority in the year under review observed as ratios is as follows.

<b>Name of Authority</b>	<b>Non – current Assets</b>	<b>Current Assets</b>	<b>Current Liabilities</b>	<b>Accumulated Fund</b>	<b>Long term Loans</b>	<b>Current Ratio</b>
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	Rs.	Rs.	Rs.	Rs.	Rs.	%
Machinery Authority	39,069,773	45,299,539	46,179,076	42,451,500	14,761,736	0.9
Provincial Environment Authority	59,637,010	12,405,244	1,261,641,668	57,175,512	-	-
Wayamba Development Authority	48,395,570	6,091,528	6,165,001	13,437,786	-	0.9

Pre – child Education Development Authority	18,148,146	10,799,811	5,200,130	(8,675,467)	3,383,187	2.0
Industrial Services Bureau	67,099,508	88,439,332	22,849,033	110,415,387	22,274,421	3.8
Road Passenger Transport Authority	48,780,019	21,433,265	43,411,291	23,838,445	-	0.4
Human Resources Development Authority	21,242,324	259,060,381	64,020,235	216,282,468	-	4.0
Wayamba Janakala Foundation	9,074,447	22,811,820	1,708,685	20,388,756	-	13.3
Divisional Resources Development Authority	56,179,038	11,320,044	7,033,880	(67,243)	-	1.6
Chief Minister’s Fund	5,261,426	1,015,023	111,000	3,223,914	-	9.1
Sports Fund	259,985,160	4,587,037	36,106	262,054,772	-	127.0
Provincial Irrigation Sustainable Maintenance Fund	-	1,403,347	-	1,403,347	-	-
Wayamba Housing and Construction Development Fund	9,000,000	1,614,082	586,000	139,190	-	2.7
Wayamba Co – operative Employees Pensions Scheme	250,411,719	11,744,021	1,825,383	262,165,742	-	6.4

(d) Audit Observations

(i) North Western Machinery Authority

- (a) According to the financial statements of the North Western Machinery Authority for the last 5 years, an aggregate loss of Rs.64,476,157 was observed and as such the going concern of the Authority had been at an uncertain situation.
- (b) Five items of motor vehicles and plant and machinery, the total cost of which was Rs.10,190,290 had remained idle, as the North Western Machinery Authority had not carried out minor services or not obtained additional accessories required for services.
- (c) As the Machinery Authority had not prepared plans to ascertain a sufficient service demand for plants and motor vehicles belonging to the Authority, 6 motor vehicles at a cost/ value (revalued) of Rs.15,643,685 had remained idle for several years.

(ii) Wayamba Development Authority  
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In analyzing the Capital Account of the Wayamba Development Authority for the last 5 years, the Capital from 2011 to 2015 had diminished by Rs.8,650,103 and as such there was an uncertainty about the going concern of the Authority.

(iii) Environment Authority  
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A sum of Rs.5,523,280 had been shown as creditors by the Environment Authority. Of this, a sum of Rs.704,643 payable to the 4 government institutions had not been settled even by March 2016.

(iv) Pre – child Education Development Authority  
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Eventhough a sum of Rs.3,520,630 should have been allocated and deposited in a separate account and maintained as incentives for 23 officers of the Pre – child Education Development Authority by 31 December 2015, it had not been so done.

(v) Industrial Services Bureau  
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(a) Pay As You Earn tax amounting to Rs.1,049,254 relating to the year under review remitted to the Department of Inland Revenue had not been remitted even by 31 December 2015.

(b) Out of the sum of Rs.349,535 shown as the opening balance of the accrued Employees Provident Fund Account, only a sum of Rs.276,199 had been paid during the year 2015.

(c) Out of the sum of Rs.125,702 shown as the opening balance of the accrued Employees Trust Fund Account, only a sum of Rs.37,663 had been paid during the year 2015.

(vi) Chief Minister's Fund  
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According to the financial statements presented, the expenditure over income of the Chief Minister's Fund as at 31 December 2015 amounted to Rs.2,319,892 as against the income over expenditure for the preceding year amounted to Rs.3,224,000 and as such it was observed that assistance had been given to patients in excess of the income.

## **5.2 Commercial Advance Accounts**

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### **5.2.1 Presentation of Accounts**

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The following accounts in respect of the year under review had not been presented to audit.

- (a) Establishment and Administration of Textiles Workshops, including the Supply of Raw Materials – years 2014 and 2015.
- (b) Establishment and Administration of Industrial Workshops, including the Supply of Raw Materials – year 2015.
- (c) Operation of Industrial Schools – year 2015

## **6. Operating Review**

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### **6.1 Performance**

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The following observations are made.

- 6.1.1** Despite there was a possibility of manufacturing drugs in the Ayurveda Workshop required to the Ayurvedic Department, 15 varieties of drugs had been purchased from Pharmaceutical Corporation and as such an additional expenditure of Rs.1,519,500 had to be incurred.
- 6.1.2** The number of Societies to be liquidated during the year 2015 in sub – offices of Kurunegala, Kuliyaipitiya and Chilaw attached to the North Western Province Co – operative Department amounted to 376 and the number of Societies to which liquidators had been appointed amounted to 23. Accordingly, the total number of Societies to be liquidated was 399. However the number of Societies out of those, which had been completed liquidation as at 31 December 2015 amounted to 46.
- 6.1.3** Eventhough audit reports, after completing the audit of several Co – operative Societies situated within the areas of Assistant Commissioner of Co – operative Development in Chilaw and Kuliyaipitiya had been handed over to the office, in issuing 76 of those reports during the year to the relevant Co – operative Societies after being reviewed there were delays ranging from 02 to 07 months. Further, 20 audit reports of the Assistant Co – operative Commissioner’s Office, Kuliyaipitiya had not been handed over for review though more than 03 months had lapsed after completion of audits by December 2015.
- 6.1.4** A Provision of Rs.2,461,899 had been received in the year 2015 for the construction of 3 carbonic fertilizer products marketing centres in the North Western Department of Co – operative Development under the Provincial Specific Provision. However, it was planned to construct only 2 marketing centres in Kuliyaipitiya and Nikaweratiya areas, but construction works had not been completed even by 31 December 2015.

- 6.1.5** Although the renovation of Galamuwa Base Hospital had to be completed by the end of the year 2015, the objectives expected by renovation could not be achieved as there were 148 vacancies in the 27 posts when compared with the approved and actual cadre.
- 6.1.6** Eventhough a provision of Rs.100,000 had been allocated for 2 awareness programs on hydro phobia for the office of the District Director of Health Services in Puttalama, only a sum of Rs.54,675 or 55 per cent had been spent from that provision in the year 2015.

## **6.2 Management Inefficiencies**

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The following observations are made.

- 6.2.1** Specialist medical and kidneys assistance amounting to Rs.582,500 payable to 673 persons which had been approved by the compensation committee on 08 April 2015 had not been paid even by 16 October 2015, the date of audit in paying special medical and kidneys assistance belonging to the Department of Health Services.
- 6.2.2** Although it was planned to open 4 villages under the opening of Textiles Villages for the year 2015 and a provision of Rs.4.92 million had been allocated, only 01 Textile Village had been opened by 31 December 2015. However, a stock of thread valued at Rs.990,000 had been purchased during the year to be issued to the proposed textiles villages and a stock of thread valued at Rs.144,403 out of that had only been issued to the Makul wewa Textile Village by 31 December 2015.
- 6.2.3** The outstanding loan balance as at 31 December 2015 for textiles sold at Godawela Sales Centre in the years 2012, 2013, 2014 and 2015 on credit basis amounted to Rs.892,310.
- 6.2.4** A provision of Rs.5,356,000 had been received in the year 2015 for the establishment of the Godawela Water Purifying Unit and a sum of Rs.2,678,000 of it had been deposited in the general deposit account on 31 December 2015.
- 6.2.5** The clay grinder valued at Rs.39,000 purchased in the year 2014 and issued to the Yatiwala Swashakthi Rural Development Society had not been utilized even by the date of audit on 09 December 2015 due to non – availability of a motor.
- 6.2.6** Liquor license stamp fees of Rs.140,000 recovered by the Divisional Secretariat, Nikaweratiya in 04 instances had not been sent to the parties concerned. In addition, the wild elephant crop damage compensation of Rs.38,600 deposited in 3 instances had not been paid to the relevant parties and remained in the general deposit account for more than 1 ½ years.
- 6.2.7** As action had not been taken to lease the crown land belonging to the Bingiriya Divisional Secretariat where the Sri Lanka Telecom Centre and the telephone transmission post are situated under a long term lease license, the revenue receivable to the government had deprived of.

- 6.2.8** Lease rental had not been recovered by entering into long term lease agreements for the land, 04 acres, 03 roods and 37 perches in extent possessed by a Private Company and the encroached land, 01 rood and 28 perches in extent, situated within the Pannala Divisional Secretariat area, nearly for 12 years. Eventhough a Co – operative Society building had been constructed and a bank had been operated for about 13 years in a government land, 20 perches in extent, situated in the Madelpotha Grama Niladhari Division belonging to the Kuliypitiya Divisional Secretariat, the Divisional Secretariat had not given this land on long term lease rent and as such the government had deprived of a rent income. Similarly, lands, 9 acres, 01 roods and 8.42 perches in extent belonging to the Divisional Secretariat, Pannala had been given to 4 Private entities as long term lease but big amount of revenue had been deprived of by the government due to non - receipt of proper approval.
- 6.2.9** At the physical examination of stores and stock ledgers of the Ayurvedic Department on 17 November 2015 an excess of 11.9 meters of trowser and shirt materials purchased for uniforms and a shortage of 32.4 meters of sari materials were observed.
- 6.2.10** At the physical examination carried out in the Ayurvedic Hospital Workshop in Kurunegala 13 types of drugs valued at Rs.354,064 issued in bulk from dried drugs store and the main store had not been entered in the drugs registers.
- 6.2.11** Four motor vehicles belonging to the office of the Director of Health Services in Kurunegala had been parked in the Machinery Authority since the years 2008, 2012 and 2013 and it was observed in audit that they were allowed to decay without being taken action to repair or dispose them.
- 6.2.12** Savings totalling Rs.420,662 had been retained in the general deposit account without being refunded or credited to government revenue by the Chief Secretariat Office even after the purpose had been completed in 14 instances.
- 6.2.13** Appropriation action had not been taken by the Provincial Department of Education against the Divisional Heads of the K/St.Ana College for not taking action to utilize a sum of Rs.2,450,000 planned and allocated for the quality development of Education by the Budget for the intended purpose.
- 6.2.14** It was observed that the lower grade officers had been engaged in duties in place of 320 Graded Principals and Deputy Principals belonging to the 06 Zones attached to the Department of Provincial Education. Similarly, there were instances that in place of Graded Principals and Deputy Principals to be in 152 schools belonging to the same 6 Zones, duties had been performed by the Higher Graded Officers. It was further observed that duties of Deputy Principals had been performed in 90 schools for which Deputy Principals were not required and the Deputy Principals of 66 schools in which there should be Deputy Principals had not served.



- 6.2.15** Eventhough the approved non – academic staff of the Kul/ Kithalawa Poogalla Maha Vidyalaya was 5, it was observed at a physical verification that there were 8 persons in non – academic staff. Further two employees had been attached to the school for the non – approved posts and a sum of Rs.646,440 had been paid as salaries as at 31 December 2015.
- 6.2.16** Eventhough there were 48 official quarters in the schools belonging to the Ibbagamuwa Zone, only 05 out of them had been occupied by officers. Of these houses 02 quarters could be used whereas as another 2 had to be discarded and the balance 44 quarters had been in the position of under repair.
- 6.2.17** House rent had not been recovered from 5 official quarters belonging to the Dambadeniya Hospital from the date of occupation.
- 6.2.18** The Land Commissioner’s Department had not maintained a register and files for official quarters. According to the Letter No. පළාත්/ ඉකො/ආ1 dated 17 November 2015 of the Provincial Land Commissioner it was identified that there were 25 official quarters, out of which 17 houses had been at a usable level and 8 houses had been delapidated. Eleven usable houses had been given to Public Officers Women’s Associations and pre- schools and 06 houses had been idle.
- 6.2.19** A Party office had been operated by a parliamentarian in the official quarters of the Colony Officer of Anamaduwa and it was set fire on 24 August 2008. The Assistant Superintendent of Police in Puttlam District had obtained a valuation report for Rs.559,355 relating to the destroyed official quarters from the Divisional Secretary, Anamaduwa on 02 March 2015, but no any action whatsoever had been taken by the Land Commissioner’s Department even up to December 2015.
- 6.2.20** Eventhough 2 Liquor Licenses had been obtained by a Hotel Corporation approved Hotel situated within the area of Divisional Secretariat, Polpithigama, the revised fees of Rs.150,000, to be recovered in terms of Gazette notification extra ordinary dated 13 February 2015 had not been recovered.
- 6.2.21** It was observed that the outstanding yield tax, annual rent, outstanding long term lease rent of the year under review amounting to Rs.509,449, Rs.11,436 and Rs.898,720 respectively in the Polpithigama, Wariyapola and Nikaweratita Divisional Secretariat had not been recovered.
- 6.2.22** Goods valued at Rs.1,458,216 purchased by the Divisional Secretariat of Polpithigama, Alawwa, Paduwasnuwara (East) for the distribution amount the low income persons, self – employed persons and voluntary organisation under the Provincial Investment Program for the year 2015 had remained in the store without being distributed.
- 6.2.23** A Land of 05 acres, 02 roods and 17 perches in extent belonging to the Ganewatta Divisional Secretariat had been leased out to a Private Party on 15 June 1995. Action had not been taken to recover the outstanding lease rent of Rs.313,179 since the year 2012.
- 6.2.24** A Land situated in the Pannala Divisional Secretariat area, 02 acres, 02 roods and 11 perches in extent had been given on long term lease rent on 24 March 1992 by the Chief Secretary of the

North Western Provincial Council to a Private Company but the lease had not paid any rent since the year 2012.

- 6.2.25** Eventhough the Divisional Secretary Paduwasnuwara East had issued licenses only for 03 black stones scavating projects in the year 2015, it was revealed at an audit field inspection that another 26 projects had been unlawfully operated without obtaining licenses.

### **6.3 Operating Inefficiencies**

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The following observations are made.

- 6.3.1** Under the construction of small and medium scale mines project in the Department of Agriculture, turfing to be layed and enabling to take water from the mine to avoid denudating the bond of the mines in the construction of mines and the commercial crops had to be cultivated in a land to the extent of about half an acre. Despite those requirements had not been fulfilled, sample check revealed that two beneficiaries in the Wariyapola Zone, five beneficiaries in the Ibbagamuwa Zone and four beneficiaries in the Anamaduwa Zone had been paid sums of Rs.100,000, Rs.250,000 and Rs.200,000 respectively.
- 6.3.2** Eventhough ‘gidiseria’ and ‘sevandara’ plants should be planted in the borders constructed under the Soil and Water Conservation Borders Project in the Department of Agriculture, without completing those requirements it was revealed at a sample check that sums of Rs.30,000, Rs.11,000 and Rs.33,985 had been paid to one beneficiary in the Ibbagamuwa Zone two persons in the Anamaduwa Zone and 5 persons in the Wariyapola Zone respectively.
- 6.3.3** A Provision of Rs.2,200,000 had been made in the year 2015 in respect of establishing, strengthening and regularising crop production societies project by the Department of Agriculture, savings of provision amounting to Rs.1,256,266 had existed as at 30 November 2015.
- 6.3.4** In the examination of files relating to 10 works carried out by the Engineering Department of North Western Province, the value of extra works done in comparing with the provision of Rs.70,094,738 amounted to Rs.28,098,610, representing 40 per cent of the overall estimated value and it had not been approved under the procurement process.
- 6.3.5** In order to avoid the specific authority limits in applying the shopping method, 10 selected contracts, valued at Rs.38,132,879 had been divided into several stages and prepared estimates. Quotation had been called for them and all had been given to one contractor.
- 6.3.6** Eventhough 195 students had been enrolled in the year 2013 for the purpose of training of trainers which is a main objective of the Textiles Department and a sum of Rs.7,029,358 had been paid to them as training allowances, it was observed that they had not been remaind in the institute for manufacturing process after the training period.

## **6.4 Transactions of Contentious Nature**

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The following observations are made.

- 6.4.1** The pool vehicle, bearing No.PE – 9966 had been run by the officer in charge of the motor vehicles for 984 Km in 7 instances on Public holidays and the dates on which he had obtained his Private leave. Expenditure totalling Rs.24,423 had been incurred by the Governor's Office as overtime, fuel and travelling expenses relating to those days.
- 6.4.2** It was observed at an audit test check that in respect of preliminary inquiries regarding child abuse referred to the Provincial Public Service Commission during the period from 23 December 2013 to 09 September 2015 had been delayed from 5 months to 25 months.
- 6.4.3** A sum of Rs.4,676,995 for Air tickets fees, Visa fees, food and lodging charges and transport charges for 25 persons who had proceeded abroad to participate in the China Thailand Education Program and the Singapore Thailand Education Program had been paid to the sponsored institute in the year 2014 by the Provincial Council Secretariat. Again a sum of Rs.5,013,100 had been paid to those 25 officers in October 2014 for the settlement of expenses.
- 6.4.4** A Medical Officer in the Divisional Hospital, Alawwa had not reported for duties since 19 June 2015 without being properly informed. According to the files in the office of the District Director of Health Services, overseas leave had been approved to this officer from 24 June 2015 to 02 July 2015, but he had not reported for duties up to 04 August 2015, the date of audit.
- 6.4.5** Eventhough the number of Dentists approved for the Wariyapola Hospital was one, two Dentists had been deployed in service. Despite there were 2 dentists, a sum of Rs.448,797 for 864 hours for the period from December 2014 to July 2015 had been paid as overtime allowances.
- 6.4.6** Eventhough large fish, cut into pieces had not been supplied to the patients foods in the Galgamuwa Base Hospital in the year 2015, in making payments, a sum of Rs.189,287 had been paid from January to July for large fish such as Para, Secrefish and Tunafish.
- 6.4.7** A Nissan Mode Cab bearing No.57 – 5608 purchased in May 2013 to the office of the Puttalam District Director of Health Services valued at Rs.1,050,000 had been destroyed by fire. According to the file, any inquiry whatsoever had not been held as per Financial Regulations. A compensation had not been made by the insurance and the vehicle had been handed over to a private garage at Mawathagama for repairs but it had not been completed and taken back the vehicle even nearly 2 years had lapsed.
- 6.4.8** The Ambulance bearing No.42 – 0632 belonged to the office of the District Director of Health Services, Kurunegala had been sent to the Machinery Authority in the year 2011 for repairs at an estimated amount of Rs.148,580. While the repairs was being carried out, the Machinery Authority had presented an additional estimate of Rs.234,220. It was revealed in audit that as the

approval for the additional estimate had not been given, the vehicle had been parked in the machineries Authority for about 4 years.

## **6.5 Apparent Malpractices**

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An another engine had been fixed to the Jeep bearing No.65 – 2571 given to the Ministry of Roads from the Ministry of Economic Development in December 2014 without approval. As an engine unsuitable for the capacity of the Jeep had been fixed, a sum of Rs.859,189 had to be incurred during the year under review for repairs.

## **6.6 Idle or Underutilised Assets**

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The following observations are made.

- 6.6.1** Audit test check revealed that number of hospital equipment and office equipments in 07 Provincial Hospitals, and 04 offices belonging to the Health Department had been idle for periods ranging from 01 year to 15 years.
- 6.6.2** As there were many defects in the Yakarawatta Teachers Centre which had been opened on 18 November 2012 by the Ministry of Education, incurring an expenditure of Rs.518 lakhs. Eventhough 3 years had elapsed after being constructed, it was observed in audit that it was kept idle.
- 6.6.3** Although Outdoor Patients Division of the MahaKumbukkadawala Hospital had been completed in the years 2011 – 2015 constructed in 5 stages at a cost of Rs.30,827,939, it had not been utilised even up to 26 May 2016. The maternity clinic of the Anamaduwa Hospital constructed in the year 2013 at a cost of Rs.2,785,278 had also not been utilised even by 31 December 2015.
- 6.6.4** As the construction work of elders care centre building in the Anamaduwa Hospital completed in the year 2014 by spending a sum of Rs.2,293,358 had not been handed over by the Divisional Engineer, it had not been utilised for the relevant purpose even by the end of the year under review.
- 6.6.5** Three machines received by the Kirimetiyanaya Clay industrial Training Centre in December 2014 had been idle without being used for any purpose.
- 6.6.6** Two Jeeps belonged to the Kuliyaipitiya and Maho Executive Engineers Office had been parked without being used for a along period.
- 6.6.7** The electric oven in the Udaragama Clay Centre repaired on 31 December 2013 by spending a sum of Rs.528,550 had not been utilised for manufacturing purposes even by 10 December 2015.

## **6.7 Identified Losses**

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The following observations are made.

- 6.7.1** Out of 4000 bulbs valued at Rs.1,129,600 purchased for the distribution at the awareness programs on Power Conservation under the Criteria Based Development Project in the year 2014 by the Provincial Ministry of Roads, 2859 bulbs had been distributed. At the Physical verification observed that there was a shortage of 641 bulbs valued at Rs.181,018, out of the balance stock.
- 6.7.2** According to the Board of Survey reports of the Textiles Department for the year 2013, a cash shortage of Rs.321,505 and a shortage of cloths valued at Rs.832,707 were observed but no any suitable action had been taken thereon.
- 6.7.3** The Outstanding loan advance balance due from a Councillor who had left the Council in May 2015 amounting to Rs.321,500 had not been recovered even by 31 January 2016 the date of audit by the Provincial Council Secretariat.
- 6.7.4** As the air tickets had been purchased from an entity not presented quotations for 07 Councillors who proceeded abroad to participate in the Sri Lanka Day Celebration held in Japan in the year 2014, the Provincial Council had sustained a loss of Rs.283,500.
- 6.7.5** A sum of Rs.11,446 collected from regional sales in the Kirimetiyanana Clay Industries Training School, had not been presented for Physical Count carried out on 09 December 2015 and any written evidence to ensure that a sum of Rs.37,035 had been remitted to the Head Office was not made available for audit.
- 6.7.6** Eventhough the officer involved in the cash fraud of Rs.380,854 occurred during the period from 01 January 2000 to 31 January 2005 in the Assistance Co – operative Commissioner’s Office in Kurunegala had been dismissed from service the relevant money had not been recovered from him even by 31 December 2015.
- 6.7.7** Four hundred and thirteen varieties of drugs valued at Rs.16,945,704 and Rs.10,168,768 in units in the 06 Hospitals belonged to Department of Provincial Health Services and the Regional Medical Supplies Division of the Office of the Kurunegala District Director of Health Services and another 53 varieties of drugs the value of which could not be computed had been removed from use due to expiration, failing samples, damage of colour and smell etc.

## **6.8 Weaknesses in Contract Administration**

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The following observations are made.

- 6.8.1** Eventhough improvement works of the Galgamuwa Hospital was being completed it was observed that the Water Supply to the Hospital had been a main problem.

- 6.8.2** An expenditure of Rs.13,071,297 had been incurred for the improvement of 05 roads during the year under review by the Kurunegala Executive Engineer's Office of the North Western Road Development Department, which did not belong to the North Western Provincial Council. Eventhough the field density test carried out in respect of soil of the Delwita – Bambarakanda road improved by incurring an expenditure of Rs.4,631,844 had failed, the above full amount had been paid to that road.
- 6.8.3** Although 04 Executive Engineers Offices had purchased raw – materials valued at Rs.142,123,798 for the maintenance of Roads in the year 2015, a quality test report had not been obtained.
- 6.8.4** In the examination of progress reports as at 30 November 2015, 404 works had to be done but the estimates had been prepared only for 395 works. Contracts had been awarded for 369 of them but only 224 works had been completed.
- 6.8.5** Eventhough the contract periods of 07 works valued at Rs.3,967,355 to which contracts had been awarded had elapsed, works had not been commenced. Though the construction period had completed, the number of works completed less than 75 per cent was 56.
- 6.8.6** According, to the estimate prepared for the improvement of Migalewa Amila Sevana Childrens Home and the payment report, it was observed that an overpayment of Rs.40,130 had been made.
- 6.8.7** A Provision of Rs.28,054,265 had been made under the Provincial Specific Grants for 76 works by the Department of Irrigation for the re – construction of minor irrigation in the year under review. At a physical verification carried out in respect of 5 works valued at Rs.7,906,140 in the Divisional Secretariats of Bingiriya, Arachchikattuwa and Anamaduwa it was observed that the value of works not done amounted to Rs.992,293.

## **6.9 Delayed Projects**

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- 6.9.1** The construction of an official quarters in the land belonged to the Madampe Ayurvedic Hospital had been commenced in the year 2011 and halted half way.
- 6.9.2** A sum of Rs.2,604,337 had been paid in the year 2012 for the construction of the Sewerage System in Narammala District Hospital and an additional sum of Rs.79,252 had been spent for two motors and spare parts. As this system had become inactive for about 3 years, the entire amount spent in this project had become a fruitless expenditure.

## **6.10 Properties not Formally Vested**

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The following observations are made.

- 6.10.1** Lands in which 4 Ayurvedic Hospitals belonging to the Provincial Ayurvedic Department and 21 Central Ayurvedic Dispensaries are situated had not been vested in the Ayurvedic Department

even by the end of the year 2015. It was observed that it was an incombrance to fulfil the deficiencies and repairs prevailed at hospitals due to not completing to vesting activities.

**6.10.2** The land where Dambadeniya Base Hospital is situated had not been vested in the Provincial Health Services Department even by the end of the year 2015. As a result of this delay a part of it had encroached by unauthorized persons.

**6.10.3** The land where Polgahawela Hospital is situated had not been vested to the North Western Provincial Department of Health Services even by the year 2015, and a part of the land had been used for Private purpose unlawfully.

**6.10.4** Action had not been taken to aquire the lands where office of the Polgahawela Medical Officer of Health and the Wariyapola Divisional Hospital are located, to the Provincial Department of Health Services even by the year 2015.

## **6.11 Staff Administration**

Particulars of the approved and the actual cadre of the Provincial Council as at 31 December 2015 are given below.

(a) Cadre of the Ministries, Departments, Zonal Offices

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>	<b>Surplus Cadre</b>
Senior Level	1,559	1,432	127	-
Tertiary Level	551	380	171	-
Secondary Level	9,488	7,801	1,687	-
Primary Level	4,525	4,069	456	-
Others	-	14	-	14
<b>Total</b>	<b>16,123</b>	<b>13,696</b>	<b>2,441</b>	<b>14</b>

(b) School Staff (Except Zonal Offices)

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>
Principals	1,915	1,062	853
Teachers	26,380	22,840	3,540
Minor Employees	2,563	2,441	122
Others	638	391	247
Total	31,496	26,734	4,762

(c) Hospital Staff

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>	<b>Excess Staff</b>
Office Staff	777	620	157	-
Hospital Staff	7,981	6,783	1,478	280
Total	8,758	7,403	1,635	280

(d) Ministerial Staff

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Excess Cadre</b>
Personnel Secretaries	06	06	-
Co-ordinating Secretaries	08	08	-
Media Secretaries	02	02	-
Public Relations Officers	06	06	-
Personnel Assistants	06	06	-
Management Assistants	18	18	-
Karyala Karya Sahayaka	12	13	01
Others (Drivers)	12	12	-
Total	70	71	01

In addition, there were 189 substitute staff for the Provincial Councilors and to the administration.



(e) Local Authority Staff (Provincial Council)

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>	<b>Excess Cadre</b>
Senior Level	29	19	10	-
Tertiary Level	46	21	25	-
Secondary Level	1,229	949	280	-
Primary Level	2,563	3,229	-	666
Others	-	219	-	219
Total	3,867	4,437	315	885

(f) Statutory Institution Staff (Provincial Council)

	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No.of Vacancies</b>	<b>Excess Cadre</b>
Senior Level	35	21	14	-
Tertiary Level	83	20	63	-
Secondary Level	194	195	-	01
Primary Level	267	243	24	-
Others	-	39	-	39
Total	579	518	101	40

**6.11.1 Observations on the Staff, except for Provincial Council, Education and Health Staff**

The following observations are made.

- A specific cadre for the Assistant Commissioner's Offices of the Provincial Department of Co – operative Development had not been approved.
- As a Karyala Karya Sahayaka had been recruited in excess of the approved cadre of the Provincial Minister of Roads, an overpayment of Rs.313,191 had been made for the period from January to August 2015.
- There was an excess of one Technology Officer by the end of the year under review and 04 Posts of Deputy Director of Education, 01 Post of Information and Communication Technology Assistant and 48 other posts had been in vacant position and as such the relevant duties could not be properly performed.

### **6.11.2 School Staff**

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The following observations are made.

- (a) There were 1663 vacancies in other posts in 200 schools of the Puttalam Zone.
- (b) The total number of vacancies of teachers in the Puttalam Zone amounted to 1840, comprising, 1066 Sinhala medium teachers and 774 Tamil medium teachers.
- (c) The approved cadre of the Ibbagamuwa Zonal Office and schools in 25 type of posts amounted to 3,198 but the actual number was 2679. Accordingly the shortage of employees in 15 type of posts amounted to 518 and an excess of 01 post was observed.

### **6.11.3 Health Sector Staff**

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The following observations are made.

- (a) There were 1635 vacancies as at 31 December 2015 in the Provincial Department of Health Services, comprising 46,53,828 and 708 vacancies at senior, tertiary, secondary and primary levels respectively.
- (b) Action had not been taken to fill the vacancies existed in the Pharmacists post in 05 Ayurvedic Central Dispensaries belonged to the Provincial Ayurvedic Department. There were 19 vacancies in the posts of the Nurse, Ayurveda Officer (Specialist) Medical, Management Assistant, Masseur, Attendant and the Watcher at the Madampe Ayurvedic Hospital.
- (c) There were 60 vacancies in the Community Health Medical Officers' Posts at the Ayurvedic Department.

### **6.12 Bank Reconciliations**

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The following observations are made.

- (a) The value of cheques relating to the 5 bank accounts in 4 Departments of North Western Province issued and lapsed for more than 06 months as at the end of the year under review amounted to Rs.972,841. Action in terms of Provincial Financial Rule 283.4 had not been taken.
- (b) Unidentified debits amounting to Rs.39,427 relating to the 2 bank accounts of the Provincial Department of Education and Provincial Revenue Department and unidentified credits of Rs.169, 936 relating to the 3 accounts of three Departments had existed. Action had not been taken to settle them.

- (c) The value of deposits not posted to the cash book as at 31 December 2015 in one bank account of the Textiles Department amounted to Rs.11,425 and the value of deposits not posted to the cash book as at 31 October 2015 in another bank account amounted to Rs.2,154,008. Action had not been taken to settle them even up to May 2016.
- (d) Action had not been taken in terms of Provincial Financial Rule 270 in respect of 21 unrealized deposits totalling Rs.155,196 as per bank reconciliations of December 2015 relating to the 2 bank current accounts of the Textiles Departments.

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

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### **7.1 Internal Audit**

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The Internal audit Department had audited 267 institutions in the year 2015 and issued reports. Replying to those audit reports by 121 institutions of them had delayed ranging from 37 to 260 days. Replies relating to audit queries issued by 105 institutions had not been presented even by 10 April 2016.

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

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- (a) Only two audit and management committee meetings were held by the Ministry of Health, Indigenous Medicine, Social Welfare, Probation and Child Care Services, Women Affairs and Council Affairs and the Departments of Provincial Health Services, Provincial Ayurveda and Provincial Co – operative Development during the year 2015.
- (b) Audit and management committees had not been held by the Ministry of Agriculture, Departments of Agriculture, Animal Products and Health and Land Commissioner's Department.

### **7.3 Procurement Plan**

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The following institutions had not prepared the procurement plans.

- Ministry of Health, Indigenous Medicine, Social Welfare, Probation and Child care Services, Women Affairs and Council Affairs.
- Provincial Department of Health Services.
- Provincial Ayurvedic Department
- Provincial Co – operative Development Department.

#### **7.4 Budgetary Control**

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The overall position of the budget for the year 2015 is as follows,

- (i) Out of the provision of Rs.31,102,338,585 made for the Ministries and Departments for the year 2015, a sum of Rs.1,703,045,867 had been credited back to the Provincial Treasury on 31 December 2015.
- (ii) Five Ministries and 22 Departments had obtained a sum of Rs.4,806,973,585 through the two supplementary estimates.

## (iii) Limits of Advance Accounts

Institute	Maximum limit of Expenditure	Actual Limit	Gap (Difference)	Minimum limit of Receipts	Actual Limit	Gap (Difference)	Maximum limit of debit Balance	Actual Limit	Gap (Difference)
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
- Governor's Office	-	-	-	800,000	2,068,203	1,268,203	6,500,000	2,872,942	3,627,058
- Department of Probation and Child care Services	5,000,000	3,766,485	1,233,515	1,600,000	3,950,884	2,350,884	20,000,000	10,003,745	9,996,255
- Department of Small Industries	9,000,000	4,452,595	4,547,405	-	-	-	20,000,000	10,253,034	9,746,966
- Provincial Public Service Commission	2,500,000	1,784,081	715,919	600,000	1,625,686	1,025,686	9,000,000	5,302,634	3,697,366
- Ministry of Education	-	-	-	4,500,000	17,033,738	12,533,738	26,000,000	19,552,323	6,447,677
- North Western Provincial Road Development Department	-	-	-	2,000,000	7,465,102	5,465,102	2,500,000	15,252,706	12,752,706

## 7.5 Fulfillment of Social Responsibilities

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As waste water disposed from the toilet system of the Provincial Ayurvedic Department, Ayurvedic Hospital and Official quarters to the environment it was observed that as a result there is a reeking in this area. Patients resided in the hospital wards and the patients who came for treatments had met with lots of inconveniences.

## 8. Systems and Controls

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Special attention of the Provincial Council is needed in respect of the following areas of controls.

<b>System</b> -----	<b>Weaknesses in the System</b> -----
(a) Accounting and Revenue Collection	(i) Accounting of revenue and arrears of revenue. (ii) Reporting arrears of revenue. (iii) Votes Ledger Control.
(b) Assets and Human Resource Control	(i) Accounting of non – current Assets (ii) Conducting annual Board of Surveys (iii) Personnel Administration (iv) Recruitment of employees on contract basis.
(c) Performance of contracts and payments	(i) Contract Administration. (ii) Fulfillment of all procurements as per formal procurement procedure. (iii) Award of revised contracts deviating the procurement procedure. (iv) Performance of contracts by stages method.
(d) Implementation of Projects	(i) Project Management (ii) Proper Planning of Projects (iii) Put into operation immediately after completion. (iv) Continuous follow up.
(e) Operation and financial control of the institutions established by Statutes.	(i) Preparation of institutional plans including corporate plans. (ii) Control of the Provincial Treasury. (iii) Capital Management

(f) Utilization of Motor Vehicles

- (i) Motor vehicle control.
- (ii) Repair and maintenance.
- (iii) Documentation of losses and conducting inquiries on losses.
- (iv) Determination and recovery of losses.