

## **North Western Provincial Council - 2017**

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

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

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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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the provincial council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

#### **1.4 Basis for Qualified Audit Opinion**

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

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the North Western Provincial Council as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **2.2 Comments on Financial Statements**

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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 2017 was presented for audit on 02 April 2018.

##### **2.2.2 Other Accounts**

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###### **(a) Other Accounts**

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The progress of presentation of accounts relating to the year under review, as at 31 August 2018.

Name of the Account	<u>Relating to the year 2017</u>		
	Total Number of Accounts	Number of Accounts Presented	Number of Accounts Not Presented
(i) Appropriation Accounts	29	29	-
(ii) Advance to Provincial Public Officers' Account	76	72	04
(iii) Advance of Loan Facilities to Provincial Councilors Account	01	01	-
(iv) Commercial Advance Accounts	07	06	01
(v) Fund and Statute Accounts	14	14	-
(vi) Revenue Accounts	26	26	-
Total	153	148	05

### 2.2.3 Accounting Policies

It is stated that, the Financial Statements have been presented in accordance with the internationally accepted cash basis followed by the government sector and commonly accepted accounting principles.

### 2.2.4 Accounts Receivables and Payables

#### (a) Accounts Receivables

- (i) A sum of Rs. 7,038,211 provided before many years to carry out the "Viskam Niwasa" as an approved advance task under the chief ministry had not been settled yet.
- (ii) There was an unsettled loan balance of Rs. 66,861,779 relating to the employees who were transferred, died, terminated, resigned, retired

and other reasons in 45 enterprises including Provincial Council Ministries, Departments and Divisional Secretariat Offices.

**(b) Accounts Payables**  
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- (i) Even though a sum of Rs. 135,371,629 was stated in the statement of financial position as loans for approved advance accounts functions, that balance value was obtained by settling the receivables and payables from the balances in the commercial advance accounts.
- (ii) Actions had not been taken to settle the total loan balance of Rs. 49,703,777 relating to the employees transferred from 21 enterprises including ministries in provincial council, departments and divisional secretariat offices.

**(c) General Deposits**  
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Actions had not been taken as at the end of the year under review in terms of financial regulations 571 relating to deposits worth of Rs. 3,193,847 Which was exceeding 2 years in 13 enterprises including ministries, departments belongs to the provincial council.

**2.2.5 Lack of Written Evidence for Audit**  
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Informations had not been submitted relating to the collection of insurance claims of Rs. 4,460,000 for the accidents incurred during the years 2013 and 2014 for two vehicles given to the Provincial Agricultural Ministry and The Maravila Hospital by the Chief Secretary's Office.

**2.2.6 Non - compliance with Laws, Rules, Regulations and Management Decisions**  
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The following non - compliance with laws, rules, regulations and management decisions were observed in sample audit testing.

**Reference to Laws, Rules,  
Regulations and Management  
Decisions**

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**(a) Statutory Orders**

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- (i) Section 3.5 in the Registration of Private Medical Center Act No. 21 of 2006

- (ii) The Road Development Ordinance of North Western Province Section 23 (1) and 33 (1)

**(b) Financial Rules of the North  
Western Provincial Council**

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- (i) P.F.R. 475.1

**Non - compliance**

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50 per cent of charges collecting from the registration renewal of the registration of private medical centers had been credited to a special account maintained under the North Western Provincial Director of Health Services without crediting to the Provincial Council Fund.

Non permitted constructions had been done in two roads maintained by the Wariyapola Divisional Engineering office without considering the construction limits in sides of the roads.

Actions had not been taken to take over 2 laptop computers and 8 accessories which had not been given to a former commissioner of a Local Government Authority who are working in attached to the Ministry of Sports even as at April 2018.

(ii) P.F.R. 492

Even though only the non usable goods which have been identified at the annual stock verification has to be destroyed, the Department of Irrigation has destroyed 68 items of goods during the month of February 2017 deviating from that process.

**(c) Public Administration Circulars**

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(i) Sections 02 (b) and 2 (c) of  
Ministry of Public  
Administration the Circular No.  
21/2013 dated 07 October 2013.

An amount of Rs. 167,617 has been paid as salary for holidays to and female officer since January to November 2017 without getting the approval from the Chief Secretary and the Secretary of the Ministry for perform the duties in weekends and holidays.

An amount of Rs. 426,566 has been paid as salary holidays for 254 days to 20 officers in the Department of Irrigation exceeding 2 days per a calendar month in weekends and public holidays without the prior approval of the Secretary of the Ministry.

(ii) Public Administration Circular  
No. 29/30 dated 29 December  
2016.

An amount of Rs. 2,038,068 worth of internal repairs had been done in 06 vehicles owned by the Department of Provincial Administration at 13 instances on the prices submitted after checking externally without

separating those parts of those vehicles payments had been made without ensuring the equity of prices of spare parts fixed by the repairment.

**(d) National Budget Circulars**

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National budget circular  
No. 01/2016 section 02 dated 17  
March 2016.

An amount of Rs. 12,616,915 for 9 vehicles in the year under review and Rs. 6,526,548 for 10 vehicles in 2016 had been paid as rent by the North Western Provincial Department of Engineering without getting the prior approval of the Treasury when implementing the project “The Nearest School is the Best School”

**(e) Other Circulars**

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(i) Section 5.4.4 of Procurement  
guideline

A total sum of Rs. 5,181,370 advances had been paid to the contractors exceeding the approved limit by the North Western Provincial Department of Engineering when constructing two storied technological buildings of 2 schools and two storied primary/secondary laboratory building in one school.

(ii) The North Eastern Provincial Director for Education letter No. NW/Edu/GA/10/05/01 dated 13 December 2013

A 3,604 litres of fuel had been consumed for the vehicles of Puttlam Zonal Education Office from January to November 2017 without the approval of the Secretary of the Ministry exceeding the approved per monthly fuel consumption of 450 litres.

### 2.2.7 Transactions not Supported by Adequate Authority

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An amount of Rs. 134.62 million worth of surgery medical instruments had been purchased in 2016 without getting the recommendation of a Bio - medical Engineer.

### 3. Revenue Management

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

Revenue Code No	Particulars of Revenue	<u>2017</u>		<u>2016</u>	
		Estimated Revenue	Actual Revenue	Estimated Revenue	Actual Revenue
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		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
10.02, 10.03	Taxes on Manufacturing and Expenses	7,830.13	7,144.71	6,653.00	6,555.69
20.02	Lease rent, Interest, Profits and Dividends	235.00	249.31	298.00	211.46
20.03	Sales and Charges	562.00	674.86	540.00	613.06
20.06	Sale of Capital Goods	25.00	13.29	25.00	2.32
	Total	<u>8,652.13</u>	<u>8,082.17</u>	<u>7,516.00</u>	<u>7,382.53</u>



The following observations were made.

- (a) A total sum of Rs. 10,892,093 revenue receivables relating to 02 revenue codes had been cut off during 2017 by the North Western Provincial Revenue Department without a Treasury approval.
- (b) An amount of Rs. 691,680 that had to be received from the Department of Samurdhi Development for the year 2012 and 2013 for long term leased out a land of 01 rood and 10.3 perches that owned to the Rideegama divisional secretariat had not been collected even as at May 2018.
- (c) Actions had not been taken to collect the amount of Rs. 28,000,000 that should receive from a private enterprise for the period from the year 2014 up to 2017 in respect of leased out for a long term a land of 0.4135 hectares and the building in the land that had situated in the Kurunegala Municipal boundary and owned by the Kurunegala Divisional Secretariat.

#### 4. Financial Review

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##### 4.1 Financial Results

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According to the financial statements presented, a surplus of Rs. 1,407,616,828 was indicated for the year ended 31 December 2017 as compared with the surplus of Rs. 216,897,422 for the preceding year.

##### 4.2 Analytical Financial Review

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###### Revenue and Expenditure

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

	2017			2016		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
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	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
<u>Revenue</u>						
Tax Revenue	7,830.12	7,144.71	685.41	6,653.00	6,555.69	97.31
Non Tax Revenue	822.00	946.86	(124.86)	863.00	826.84	36.16
Government Grant	33,052.02	28,664.95	4,387.07	35,345.88	25,700.77	9,645.11

Other Receipts	185.00	107.25	77.75	195.03	135.72	59.31
Total	41,889.14	36,863.77	5,025.37	43,056.91	33,219.02	9,837.89
<b>Expenditure</b>						
Personal Emolument	23,968.75	23,315.45	653.30	23,285.91	23,225.71	60.20
Other Recurrent	6,949.39	5,490.89	1,458.50	6,073.60	4,998.35	1,075.25
Sub Total	30,918.14	28,806.34	2,111.80	29,359.51	28,224.06	1,135.45
Capital Expenditure	10,971.00	6,649.81	4,321.19	13,697.40	4,778.06	8,919.34
Total	41,889.14	35,456.15	6,432.99	43,056.91	33,002.12	10,054.79

The ratio between the recurrent expenditure and the capital expenditure of the year under review was 5: 1.

### 4.3 Legal incidences to the initiate by the Council

An amount of Rs. 13,609,655 given to settle the financial fraud took place in the Giriulla Zonal Education Office stated as damages and losses under the Provincial Treasury Deposit Account had not been collected and legal actions had not been taken relating to this as at the end of the year under review. If it is decided that the Peoples' Bank should legally responsible for this fraud, they have informed on 30 June 2011 that they would settle the loss as a responsible bank.

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

### 5.1 Statute Accounts/ Fund Accounts

#### 5.1.1 Audit Opinion

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

## 5.1.2 Human Resource Development Authority

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### (a) Non - Compliance to the Laws, Rules, Regulation and Management Decisions

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In accordance with the Provincial Financial Rule No. 274, even though it is state that obtaining overdraft facilities was prohibited from any bank account relating to the Provincial Council, there was a bank overdraft of Rs. 19,890,053 as at the end of the year under review.

### (b) Performance

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The loan repayment period had been exceeded relating to loans of Rs. 12,986,075 and the interest payment of Rs. 3,391,315 which was older than 5 years issued under 5 loan schemes. Also there was a total balance of Rs. 21,490,189 loan installments exceeding 3 years period.

### (c) Non - Regular Appointments

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- (i) Sixteen permanent appointments had been given by the authority without considering the Public Administration Circular 25/2014 and a total sum of Rs. 19,573,064 had been paid as salary and allowances for those appointments since 24 October 2014 until 31 December 2017 time period.
- (ii) Although there was an excess assistance field officer in the authority's staff, 3 assistant field officers had recruited during the years 2014 and 2015 and one management assistant was recruited in 2016 on contract basis. A total sum of Rs. 3,288,278 worth of salaries and allowances had been paid for that excess staff as at 31 December 2017.

### 5.1.3 North Western Development Authority

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#### (a) Human Resource Management

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- (i) An officer had been attached in acting basis since 16 October 2016 for the Director General post which is the Chief Executive Officer.
- (ii) Appointments were given as acting basis for 2 approved assistant director posts and the account and post without recruiting qualified persons.

#### (b) Operational Inefficiencies

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The Operational activities had not been started until at the end of the year 2017 in the Madurankuliya Tourism Information and Facilities Center which has been constructed in 2014 by spending Rs. 53.3 million.

### 5.1.4 Wayamba Machinery Authority

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A sum of Rs. 3,206,444 out of the total opening debtor balance of Rs. 69,267,620 had been cut off without an approval during the year.

### 5.1.5 Wayamba Janakala Foundation

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The total sum of Rs.4,010,243 remaining stock in Kurunegala Viskam Center which is being carry on losses for several years as at 31 December 2017.

### 5.1.6 North Western Province Environmental Authority

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#### Operational Inefficiencies

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The Environmental Ordinance had not been implemented relating to the actions to be taken in relation to the industry owners who carry out their factories without obtaining the environmental licenses and actions had not been taken by the Environmental

Authority to identify and implement a systematic programme relating to the legal procedures to be taken to minimize the environment damage caused by those industries.

#### **5.1.7 Industrial Services Bureau**

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##### **(a) Accounts Payable**

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Actions had not been taken to settle an amount of Rs. 1,786,300 that should to be paid to the Industrial Promotional Fund of the Provincial Council and an amount of Rs. 4,343,490 that should to be paid to the Provincial Council Fund from the land rentals of Heraliyawala Industrial Zone.

##### **(b) Management Inefficiencies**

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In accordance with the decision made at the provincial COPE conducted on 16 March 2017 relating to the audit paragraph of 4.3.2 (a) and 4.4.1(b) in the detail audit report of 2014, it should have been informed to the COPE by collecting the Rs.1,480,000 money from all the responsible officers, only Rs.823,333 had been remitted to the North Western Chief Secretary which has been collected from the relevant supplier as at 10 July 2018.

##### **(c) Irregular Transactions**

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Although the payable incentive amount was Rs.6,198,363 for the completed industries in the year under review, an amount of Rs.13,165,646 had been paid as incentive. Further an amount of Rs.2,089,500 had been paid as incentive advance in the year under review before completing 111 industries.

#### **5.1.8 Chief Ministry Fund**

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An amount of Rs. 3,916,000 out of the overall expenses of Rs. 3,936,000 had been spent only for medical assistance for the year 2017 and attention had not been paid on other sectors where the funds to be supplied.

### 5.1.9 Wayamba Divisional Resource Development Authority

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**(a) Performance**

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The authority had not been functioned during the year under review as well as during the previous years based on the objectives established in accordance with the wayamba Divisional Resource Development Authority Ordinance No. 01 of 2001.

**(b) Idle Assets**

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The fish farming center building worth of Rs. 4,140,000 and the ornamental fish center worth of Rs. 4,925,000 had being idle since 5 years time period.

### 5.1.10 North Western Passenger Transport Authority

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**(a) Accounts Receivable**

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Actions had not been taken to collect a receivable balance of Rs. 6,125,718 as at the end of the year under review from 2 years to 17 years.

**(b) Management Inefficiencies**

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The revenue of the Driver Training School has been reduced by 61 Per cent in the year under review compared with the previous year.

**(c) Operational Inefficiencies**

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There was a total balance of Rs. 2,336,000 which had to be collected from the route permits given in several instances based on the collectable basis since 2011 to 2017.

### **5.1.11 Wayamba Co - Operative Development Fund**

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Even though it has been planned to give Rs. 25,000 worth of library books to each co-operative society, that function had not been done in the year under review.

### **5.1.12 Sport Fund**

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#### **Management Inefficiencies**

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- (a) Actions had not been taken to take over the ownership of the land where the Shilpashalika Center of Kuliypitiya is situated although it was initiated before 25 years.
- (b) The equipments in the Fitness Center could not been used due non availability of an instructor.

## **5.2 Commercial Advance Accounts**

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### **5.2.1 The Commercial Advance Account on the establishment and administration of industrial work stations including the supply of raw materials of the Department of Small Industries.**

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- (a) The commercial advance account of the year under review had not been presented for the audit.
- (b) Actions had not been taken to collect a receivable loan balance of Rs. 1,479,794. which has been exceeded 10 years as at the end of the year under review.

### **5.2.2 Commercial Advance Account of Wayamba Provincial Training Center**

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Even though the maximum limit of approved expenditure was Rs. 16,000,000 the maximum limit of expenditure had been exceeded by Rs. 779,064 due to the total expenditure as at the end of the year under review was Rs. 16,779,064.

**5.2.3 The Commercial Advance Account for the establishment and administration of textile work stations including the supply of raw materials of the Department of Textiles**

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- (a) There was a receivable balance of Rs. 6,726,643 from debtors of the public sector out of Rs. 8,689,094 exceeding 5 years as at 31 December 2016 and actions had not been taken to collect those debts.
- (b) The stock of thread worth of Rs. 28,992,754 as at the end of the year under review had been exceeded the requirement for 3 years.
- (c) Actions had not been taken regarding the shortage of stocks worth of Rs. 1,595,120 even though it occurred before 2 years.

**5.2.4 Commercial Advance Account for conducting the Technical Colleges of the Department of Small Industries.**

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- (a) Actions had not been taken to collect the debtor balance of Rs. 1,566,880 as at 31 December 2016.
- (b) There was a closing stock of Rs. 3,500,074 as at the end of the year even though the cost of material usage was Rs. 155,990 in the year 2016.

**6. Operational Review**

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**6.1 Performance**

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**6.1.1 Education**

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The following observations were made.

- (a) The schools in the North Western Province where the students who failed all the subjects at the G.C.E. (A/L) examination in the years 2014, 2015 and 2016 were 43, 52 and 56 respectively.



- (b) Even though the failure rate at the G.C.E. (A/L) examination in the Puttalam Educational Zone had been reduced to 35 per cent from 40 per cent compared with the years 2015 and 2016, over 50 per cent students were failed in Biology, Maths and Engineering Technology sectors.
- (c) The number of schools in the North Western Province where the students failed all the subjects at the G.C.E. (O/L) examination in the years 2014, 2015 and 2016 were 65, 30 and 10 respectively.
- (d) There were 376 schools in 2016 and 374 schools in 2017 in the Kuliypitiya, Kurunegala, Giriulla and Mahawa Educational Zones where the students in grades 6 to 11 had obtained below 40 Marks for the main subjects such as Language, Mathematics, Science, English, History and Religion.
- (e) A total sum of Rs. 419,900 received from two institutions in 2016 and 2017 for 2 projects of the Puttalam Zone Educational Office had been held in General Deposit Account as at March 2018 without doing the expected tasks.
- (f) 58 teachers in Sri Lanka Teachers Service had been used to cover the functions in principal posts and 51 in the principal service had been used for deputy principal posts of the Puttalam Educational Zone.

### **6.1.2 Health**

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The following observations were made.

- (a) The identified kidney patients in Polpithigama area was 1,714 in 2015 and in 2016 it was increased by 35 per cent as 2,321 and by 75 per cent as 4,065 in 2017. Non availability of trained doctors and non availability of enough dialysis machines has been affected for this situation.
- (b) It has been observed that around 100,000 patients externally, 30,000 clinic patients and 7,000 patients in wards come for the treatments annually to the Anamaduwa District hospital annually for heart diseases, kidney diseases and other diseases. But the patients had to be transferred to the Nikaweratiya and

Puttalam hospitals due to the non availability of enough specialists, other medical services and the building facilities.

- (c) The drugs had been issued to the patients who attend for the clinics by the pharmacist for the old medical prescriptions without any medical test due to the absent of the doctor for his duty at the Kumbukwewa Primary Medical Treatment Unit.
- (d) The kidney diseases prevention activities in 6 MOH including Galgamuwa and Mahawa which has been identified as risky zones of kidney diseases could not been carried out at an optimal level due to the non availability of doctors relating to kidney diseases non availability of specialists in Galgamuwa and Polpithigama hospitals, non availability of Consultant Radiologist, sufficient supportive healthcare staff, mobile medical laboratory and sufficient vehicle facilities in the Galgamuwa hospital.
- (e) The dengue prevention activities could not been implemented efficiently in the North Western Province due to the non - receipt of sufficient grants, non availability of transportation facilities, insufficient public health inspector and insufficient Smoke machines to implement the dengue prevention programmes. In this situation 2,563 number of dengue patients in 2016 had been increased to 11,322 patients by 340 per cent and the amount of dead patients had been increase from 2 per cent to 24 per cent.
- (f) According to the annual activity plan, 2 projects worth of Rs. 144,000 each in the Puttalam Divisional Health services Director Office, 2 projects worth of Rs. 20,100,000 under the Second Health Development Programme and 9 projects worth of Rs. 10,300,000 in the Provincial Health Care Services Director Office had not been implemented during the year under review.
- (g) 222 patients had to be transferred to other hospitals only during the first half of 2017 due to the non availability of laboratory technician and laboratory instruments even though space had been allocated to conduct a laboratory in the newly constructed building in Lunuwila divisional hospital.

- (h) The total provision of Rs. 100,000 allocated on behalf of Puttalam district for the Tuberculosis Awareness Programme under the Second Health Care Development Programme had been returned.
- (i) An amount of Rs. 104,000 provisions had been saved from a total provision of Rs. 154,000 given to the Wannappuwa, Dankotuwa and Puttalam Medical Health Offices for dengue prevention activities without doing the planned task.
- (j) Only Rs. 36,000 had been spent until the end of the year under review from Rs. 2,188,000 allocated for the Provincial Health Care Director on 16 May 2017 on behalf of the Telesmia deceases prevention program. Due to the above reason the Telesmia prevention activities had not been done in a sufficient level.
- (k) An amount of Rs. 93,707,339 out of the allocated provisions under various expenditure subjects in the Second Health Development Project in the year under review had been spent without spending for expected tasks and the rate of saving was from 11 per cent to 42 per cent range.

### 6.1.3 Other

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The following observations were made.

- (a) The dissolution functions had not been finished relating to 62 societies in the Chilaw Co - operative Assistant Commissioner Office even though the time period had been exceeded from 2 to 18 years by appointing liquidators for the dissolution.
- (b) Even though 298 requests from 33 local government bodies in the North Western Province had been received to the Chief Ministry during 2017 for water projects, only 17 requests relating to 11 local government bodies had been implemented.

- (c) Even though the North Western Provincial Water supply and Environmental Sanitary Unit had been established under the community society establishment and Formalization Ordinance No 01 of 2013, the provincial unity has failed to keep the objectives and tasks stated in that.

## 6.2 Management Inefficiencies

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The following observations were made.

- (a) Even though Rs. 14,489,666 had been spent for the participation of 28 officers for international training programmes in 3 occasions during the year 2017 by the Provincial Ministry of Health, indigenous medical, social welfare and child protection services, women affairs and council affairs the policies had not been prepared to select qualified persons.
- (b) In accordance with the Provincial Financial Rule 30 and 32, a sum of Rs. 29,700,000 provisions had been transferred for purchasing vehicles under the Second Health Development Programme without giving estimated funds.
- (c) Even though a private firm has given Rs. 423,934 on 24 August 2017 by agreeing to provide Rs. 847,928 for the repairmen of the sanitary system in Rideegama District Hospital, that task has not been started as of the end of the year under review.
- (d) Even though Rs. 15 million was estimated for the construction of surgical waste disposal unit at Dambadeniya Primary Hospital under the Second Health Care Development Programme relating to the approved annual plain for the year 2016, the constructional activities had not been started as at the end of the year under review.
- (e) The lands with area of 44 acres that belongs to the 09 hospitals and the lands that couldn't decide the area belong to the 03 hospitals had not been arrogated to the Provincial Health Service Department from the date when starting those

hospitals. So it could barrier to the constructions and development affairs of those hospitals.

- (f) There was a shortage of 167 quarters including doctors', nurses and other in 30 hospitals and there was no any quarters in 6 hospitals in kurunegala district. Accordingly this has directly affected for the patients treatment activities in those hospitals due to the problems resulting in attaching doctors and other staff to those hospitals.
- (g) Even though Rs. 64 millions had been allocated for the construction of Pharmacy store to the Galgamuwa Primary Hospital which was modernized with new constructions by the Japan International Corporation, that project had been relinquished.
- (h) Medical surgical instruments worth of Rs. 188.23 million had to be obtained with a delay from 3 months to 6 months time in the year 2016 due to delay of the procurement process and delay of suppliers.
- (i) The building with ward complex constructed in the Galgamuwa primary hospital under a foreign aid project by spending Rs. 605 million was in an inactive level since 20 July 2017 in which it opened until 15 June 2018 due to the non availability of required staff including due doctors for 2 completed laboratories established in that building with all equipments, intensive care unit, dialysis unit for kidney patients, blood bank, endoscope unit and medical air unit.
- (j) Even though all the facilities have been received to the Galgamuwa hospital from a foreign did project, a programme had not been implemented to get pure water to the hospital.
- (k) The tender of Rs. 14,800,000 for the sterilization of 14,000 dogs under the prevention of rabies in 2017 had been given on 20 November 2017 but only 9 per cent of dogs which is 1,255 dogs were sterilized in 2017.
- (l) Thirposha transportation activities in the Kurunegala district had been given to the private sector for Rs. 2,025,438 by the Provincial Department of Health

Care even though a lorry was in inactive level which was repaired in 2016 by spending Rs. 362,322.

- (m) A shortage for the facilities for excess orphans could be seen in the government girls orphanage situated in Kuliypitiya Meegahakotuwa conducting under the North Western Provincial Department of Probation Chilled Protection Services due to the number of orphans in that orphanage was 70 even though it was approved to keep 45 orphans in that place. Also a systematic programme had not been introduced to give a proper vocational education before socializing when those girls reject the school education.
- (n) People have faced so many difficulties due to the non - development of 5.5 Km distance in Gokarella - Kadulawa road, in the Ibbagamuwa Divisional Secretariat area and the public transportation services had also been interrupted due to this.
- (o) 1,000 plastic chairs and 55 loud speakers' worth of Rs. 3,925,000 had been purchased from a non registered supplier by the Chief Ministry to distribute to the welfare societies.
- (p) In accordance with the section 2.5.1 in the paragraph of V in the Establishments Code even though a person in the government service should not be released to another service over 2 years, 50 teachers in the North Western Province had been released for active service in the voluntary forces in tri forces which have been exceeded the 2 years period, they didn't report to the teacher service again. Also a sum of Rs. 107,422,487 salary had been paid for those 50 teachers by the North Western Provincial Department of Education since 1991 to 2016.
- (q) Actions had not been taken to collect a total sum of Rs. 1,797,966 which had to be collected from 125 teachers in 102 schools in the North Western Province for the no pay leave obtained in 2016 and 2017 years and the financial value to be collected for no pay leave had not been measured relating to 27 teachers.
- (r) A physio therapy unit had not been established in the Dambadeniya hospital even though two physio therapists have been attached since 28 September

2016. Also the physio therapists had to work without using relevant instruments due to the non - availability of required instruments.

### **6.3 Operational Inefficiencies**

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The following Observations were made.

- (a) Even though a sum of Rs. 14,320,698 supplementary estimate provisions had been allocated for the year under review by the Provincial Ministry of Health, Indigenous, Social welfare, Probation and Child protection services, Women affairs and Council affairs, the total provisions was saved due to the non implementation of expected tasks by obtaining imprest.
- (b) Office equipments had been purchased at Rs.882,506 from the grants received for 5 projects implemented under the criteria based grants contrary to their targets.
- (c) An amount of Rs. 5,141,795 had been spent during the year 2017 for the purchase of drugs externally due to the non production of drugs which had been planned and not producing in a sufficient level in the factory of the Provincial Department of Indigenous.
- (d) Even though a building had been constructed by the Japanese Bank for International Corporation to start a blood bank at Galgamuwa hospital, the activities had not been started due to the non availability of required instruments and human resources.
- (e) The quality and the safety of the drugs in the ware houses could have been affected due to the insufficient space in the buildings where the stores are located, non availability of air condition facilities, refrigerators and storing the drugs without any standard in 9 hospitals.
- (f) Even though the surgical waste should be destroyed in an eco-friendly manner, it has been observed that the surgical waste are being burnt in outside without any standardized manner due to the non availability of burning centers in 6

hospitals and in 5 hospitals even though they has burning centers they had burnt without a standardized manner.

- (g) The polluted water removed from wards, clinics and kitchen of Dambadeniya hospital had been released to the nearby river via the drainage system in the main road for a long period of time damaging to the environment.
- (h) 16 medical instruments worth of Rs. 8,360,386 purchased by the Nikaweratiya hospital through the provisions of 2016 had not been received to the hospital as at the end of the year under review.
- (i) In accordance with the arrears revenue reports of the Provincial Department of Land Commissioner as at 31 December 2017, there were 8 Divisional Secretariat Offices where over 50 per cent out of the arrears tax revenue to be collected was Rs. 11,675,724.
- (j) A vehicle inventory had not been maintained by the Department of Animal Production and Health in accordance with the Provincial Finance Rule 561, 10 (c) even though they had 53 vehicles. Also actions had not been taken to remove 10 non usable vehicles for a long period of time.
- (k) A total sum of Rs. 3,400,743 worth of spread nursery trays, stationary, polythene, vegetable racks, canopy huts and vegetable packaging bags had been purchased during the year under review without getting the approval of the Technical Evaluation Committee by the Department of Agriculture.
- (l) An agreement had been made with a farmers' society to remove the sediments and watery plants in Aswedduma Lake for Rs. 400,000. It has been disclosed that 1,740 cubes of soil had been removed although the amount of soil cubes to be removed was estimated at 310 cubes. Holes were made in the lake due to the allowing them to remove the soil with sediments without a proper standard and guidance.
- (m) An agreement had been made for a complete rehabilitation of Mahawewa in Chilaw by removing watery plants and waste for an estimate of Rs. 499,999 it has been observed in the physical verification held on 17 October 2017 that a



large amount of soil has been cut in the lake and transporting. Also, while stating that the bathing spots are being reconstructed, sand had been heaped near bathing sports by mining sands by using backhoe machines without any permission.

- (n) The purchases orders had not been handed over to the Rural Resource Development Authority in a planned manner by properly identifying the expected items to be distributed to the fishermen in the year under review and the fishing equipments worth of Rs. 3,480,994, 50 per cent contributed by the ministry of agriculture could not been distributed until 31 December 2017 since they were ordered in the month of November 2017.
- (o) Actions had not been taken to collect a sum of Rs. 94,929 out of the loans given to an external person in 2011 according to an agreement made with the Peoples' Bank without entering the specific conditions and a sum of Rs. 608,578 out of the loans given to Dambadeni Development Foundation without any agreement in 2005 and 2006 years from active circular loan fund started in North Western Co- operative Rural Bank by the Ministry of Agriculture in 2004 without an approval of the Chief Secretary.
- (p) A rapid program had not been implemented to supply the furniture even though there is a shortage of 31,667 student desks, 32,089 student chairs 5,440 teachers' tables and 7,046 teachers' chairs in 791 school in the North Western Province.
- (q) Actions had not been taken to distribute 36,632 packets of uniform materials as at November 2017 which were given by the Ministry of Education to the Kuliypitiya, Kurunegala, Giriulla, Nikaweratiya, Mahawa and Ibbagamuwa zonal office during February to July 2017 for the distribution to the students of difficult, most difficult and isolated schools.
- (r) There was a 4 month delay in crediting the scholarship aids amounting Rs.9,234,000 to the accounts of 420 students sent to the Mahawa Zonal Education Office in the months of May, June, July in 2017.

- (s) Even though a sum of Rs. 42,490,000 had been given on 19 November 2017 to 1,215 schools in the North Western Province according to the circular relating to the preparation of master plan in all the schools throughout the island aiming at Development goals No. 24/2016 dated 06 September 2016 of the Secretary to the Ministry of Education, the master plan had not been prepared in 282 schools even as at 30 June 2018.

#### **6.4 Transactions of Contentions Nature**

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The following observations were made.

- (a) A land of 0.1910 hectares in Kurunegala Divisional Secretariat area had been given to a private enterprise since 1992 without any agreement. The taxes relating to the period from 1992 to 2000 had not been collected and Rs. 100 per month had been collected from 2001 to 2017 through an assessment report without specifying the taxes.
- (b) It has found that the directress of the irrigation has prepared the requesting letter of the contractor when paying Rs. 300,000 on 30 December 2017 for the backhoe machines obtained for the reconstruction of Thittawella lake without a proper agreement and a tender.
- (c) An amount of Rs. 2,000,000 out of Student Based Learning Improvement gains had been spent for the teacher training programmes of newly appointed graduate teachers on 29 June 2018.
- (d) An amount Rs. 671,400 over payment had been made for the purchase of 3,357 Kg of iron exceeding the estimate of 7,110 Kg of iron without doing any considerable change in the building of Nikaweratiya Medical officers Office.
- (e) An amount of Rs. 34,415,308 had been paid to the contractor in 6 instances without any report even though the bill payments should be made based on the monthly progress reports relating to the construction of 3 storied building at Kuli/ St. Joseph college under “construction under planning” (without preparing measurement report)

- (f) An amount of Rs. 1,542,500 had been paid for the preparation of designs without handing over at least 50 per cent designs to the engineering firm by the contractor as at January 2018 even though the agreement period of the building construction project of Kuli/ Weerambuwa primary school was from 16 November 2016 until 15 November 2017.

## 6.5 Under Utilization of Funds

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The following Observations were made.

- (a) Even though Rs. 58,000,000 had been given to 1,215 schools in the North Western Province under the Student Based Learning Improvement Gains (SBLIG) only Rs. 25,285,000 had been spent for learning improvement as at 30 June 2018.
- (b) Even though Rs. 200,000 had been given to each selected 18 schools in the North Western Province for the purchase of equipment packs to hold practical activities relating to technological laboratories in the schools where there are G.C.E. (A/L) Technology subject stream, the required equipments had not been purchased by 17 schools even as at 30 June 2018.
- (c) The total net provision value of Rs. 16,973,000 had been completely saved in 11 expenditure objects relating to 6 Heads in Provincial Ministries and Departments.
- (d) There were Rs. 4,488,864,998 savings out of the net provisions of Rs. 8,315,220,930 in 30 number of various expenditure objects relating to 11 Heads in Provincial Ministries and Departments and this saving was in between 50 per cent to 98 per cent range from the net provision.

## 6.6 Idle/ Underutilized Assets

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The following observations were made.

- (a) Lands with 11 acres and 2 roods situated in the Paduwasnuwra (west) Divisional Secretariat Office territory, 8 number of school buildings situated in those lands and 4 government building were in an idle/ underutilized manner.
- (b) 11 number of Land plots and 14 building with 10,614 square feet which were constructed in those lands situated in the Mallawapitiya Divisional Secretariat Office territory were in inactive state without using during the time period from 2 years to 28 years.
- (c) Lands with 48.5 acres and buildings with 5,400 square feet situated in the Kurunegala Divisional Secretariat Office territory had been given up for a long period of time without using.
- (d) An open cave system radiant warmer received to the ward number 3 at Mawathagama District hospital on 22 February 2011 was in the carton box without using.
- (e) The upstairs in the 3 storied building and 32 beds in Mawathagama District hospital were in inactive manner without using.
- (f) There was Rs. 55,239,725 worth of low quality stock of drugs only in the hospitals in Kurunegala District and regional medical supply division as at 31 December 2017.
- (g) There were expired stocks of drugs worth of Rs. 550,525 and Rs. 1,880,878 in 2 regional medical supply divisions and hospitals and 22 other health care institutions in the North Western Department of Healthcare respectively.
- (h) A total sum of Rs. 100,134,172 worth of surgery medical equipments and Rs. 17,868,300 worth of air medical system were not in use for a period of 3 months to 20 months' time in the Galgamuwa hospital as at the end of 2017 and the warranty period has been ended in several equipments without using.

- (i) Even though 8 months period of time have been elapsed by constructing a waste collecting center at Lunuwila Rural hospital by spending Rs. 989,856 and had not get benefit from it.
- (j) 12 Computers given to 6 units in the Dambadeniya hospital in the year 2012 for the computerizing the patients' health care information, had not been any used as at the end of the year under review.
- (k) 86 per cent out of 1,440 source pans and 2,398 clothes received to the North Western Department of social services from China as flood grants in 2016 had been stored for nearly 2 years without distributing. 31 per cent out of the distributed items had been given as gifts except the main objective.

## **6.7 Identified Losses**

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The following observations were made.

- (a) Even though a sum of Rs. 2,253,856 had been spent for the construction of a tube well to Galgamuwa hospital, the water supply and Drainage Board has informed that water was not suitable for drinking. Accordingly a loss of Rs. 2,253,856 was occurred to the Provincial Council Fund due to the functioning without any feasibility.
- (b) An amount of Rs. 652,325 had been spent to purchase water externally during the period of 2015 - 2017 even though the water at the deep well that constructed in the Hettipola Rural hospital was proper to drink.

## **6.8 Weaknesses in Contract Administration**

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The following observations were made.

- (a) An amount of Rs. 767,139 had been paid to the contractor for not perform 20 work items according to the 6<sup>th</sup> bill relating to the construction of 3 storied building at Kuli/ st. Joseph college.

- (b) In accordance with the Provincial Finance Rule 34.2, Rs. 1,931,484 had been paid without a proper approval for 40 per cent extra work when repairing a building at Pannala National School.
- (c) A total sum of Rs. 4,393,926 had been paid for the non-entered items to the estimates when constructing two storied primary learning resource centers in Sariputhra and Gonulla Primary Schools, repairment of the buildings in the Pannala National School, construction of three storied class room building and 2 storied class room building in Al - Amin college.
- (d) According to the physical verification held on 1 February 2018 , it had been observed that a sufficient amount of work had not been done equal to the given advance payment of Rs. 14,457,675 provided to the contractors passed from 4 to 12 months time period when constructing the two storied primary learning center at Kilinpola Primary School, the two storied technology building at Mahakeliya Maha Vidyalaya and the 3 storied building at Nika/ Kadigawa Maha Vidyalaya.
- (e) A sum of Rs. 245.63 million worth of contracts had been offered to a private construction firm only during 2016 by the North Western Department of Engineering even though the maximum contract value was Rs. 240 million which could have been offered to a contractor who is in C- 2 group according to the contractors grading limits.
- (f) 5 projects given to a private construction firm in 2016 had not been finished as at 06 June 2018 and the delay charges had not been collected from 10 completed projects which had been exceeded the agreed period from 272 days to 545 days.
- (g) Due to the assignment of power to the regional engineers through the technical instruction letter 01/2017 of North Western Director for engineering, contract agreements had been approached only by Kuliyaipitiya and Wariyapola Regional Engineers Office for Rs. 28,441,294 and Rs. 5,211,733 respectively exceeding the regional procurement committee limit.

- (h) According to the place verification held on 30 June 2018 garden designing activities of Madurankuliya circuit banglaw, a sum of Rs. 1,365,489 for not fulfilled work and a sum of Rs. 663,871 for lesser fulfilled work had been paid to the contractor.
- (i) Payments had been made on 31 December 2017 for working progress worth of Rs. 1,334,378 relating to 12 items entered as finished work according to the physical verification held on 30 January 2018 based on the Emergency Treatment Unit at Udappuwa hospital on the total estimate of Rs. 10,386,969 which had to be finished on 27 October 2017 while commencing on 29 June 2017 based on the agreement. The penalty of Rs. 176,562 had not been recovered for the delay period.

## 6.9 Staff Administration

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Approved and actual cadre position of the Provincial Council as at 31 December 2017 is given below.

### (a) Staff of the Provincial Ministries, Departments and Zonal education office

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	Approved Cadre	Actual Cadre	No. of Vacancies
	-----	-----	-----
Senior Level	717	542	175
Tertiary Level	320	203	117
Secondary Level	5,244	4,330	914
Primary Level	1,414	1,330	84
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Total	7,695	6,405	1,290
	=====	=====	=====

**(b) School Staff (Except the Zonal Offices)**

	Approved Cadre	Actual Cadre	No. of Vacancies
Principles	1,915	1,347	568
Teachers	26,383	23,918	2,465
Minor Employees	2,696	2,502	194
Others	503	324	179
<b>Total</b>	<b>31,497</b>	<b>28,091</b>	<b>3,406</b>

**(c) Hospital staff**

	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Staff
Hospital	7,101	5,882	1,639	420
Official staff	1,657	1,473	184	-
<b>Total</b>	<b>8,758</b>	<b>7,355</b>	<b>1,823</b>	<b>420</b>

**(d) Staff of the Cabinet**

	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Staff
Private Secretary	05	05	-	-
Coordinating Secretary	06	05	01	-
Media Secretary	02	02	-	-
Public Relations Officer	05	05	-	-
Personal Assistant	05	05	-	-
Management Assistant	13	13	-	-
Peon	10	10	-	-
Other (driver)	10	13	-	03
<b>Total</b>	<b>56</b>	<b>58</b>	<b>01</b>	<b>03</b>



**(e) Staff of Local Authorities**

	Approved Cadre	Actual Cadre	No. of Vacancies
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Senior Level	28	16	12
Tertiary Level	48	17	31
Secondary Level	1,307	879	428
Primary Level	3,369	3,169	200
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Total	4,752	4,081	671
	=====	=====	=====

**(f) Staff of Institutions established under ordinances**

	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Staff
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Senior Level	35	20	15	-
Tertiary Level	36	63	-	27
Secondary Level	211	180	31	-
Primary Level	277	213	64	-
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Total	559	476	110	27
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Note - Members of Provincial Councils had 183 Substitute staff.

The following facts were observed.

**6.9.1 The Staff in the Provincial Council and Local Authorities (Except Education and Health)**

Even though it is a major task of the Provincial Public Service Commission to make appointments, permanency in the services and promotions of the officers in the North Western Public Service. The appointments to covering up duties relating to secretary posts for 13 Pradeshiya Sabha had been done by the Commissioner of Local Governments since 2012.

## 6.9.2 Staff of School

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- (a) The North western Provincial Department of Education had not made permanent the services of 200 employees including an assistant director of education who had been working in 3 Zonal offices, a Divisional office and 125 schools and the permanents had not been done for several teachers even though their services had elapsed 28 years from the appointment date.
  - (b) In accordance with the paragraph 3.2 in the Circular No. 2007/20 dated 13 December 2007 of the Secretary to the Ministry of Education, it had been revealed at the sample checking that there were 536 teachers working in the same school from 6 years to 26 years even though the maximum service period of teachers in most convenient school was 6 years.
  - (c) There were 1,503 vacancies of teachers relating to 67 subjects and the teacher vacancies for the main subjects of Mathematics, Science and English were 145, 64 and 132 respectively. Due to those vacancies the teachers who didn't have competency in those subjects had been used to teach those subjects.
  - (d) 114 teacher transfer applications had been rejected due to the incomplete applications and non availability of a successor, while there were 961 teachers who did not get transfers since 6 - 10 years in the Chilaw Educational Zone.
  - (e) 2 staff grade officers were appointed to the Appeal Board who didn't represent the teacher transfer board while there was no any successor or the Zonal Education Director as the Chairman in the Chilaw Zone teacher transfer appeal board.
  - (f) The duties in the principal service had been done by teachers in Sri Lanka Teacher Services in 158 schools, principals in higher grades in 153 schools, principals in lower grades instead of graded principles to be there in 299 schools in North Western Province.

### **6.9.3 The Staff in Health Sector**

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- (a) There were 3 excess officers in one post and 194 vacancies relating to 4 posts according to the information of approved staff at Provincial Department of Indigenous as at the end of the year under review.
- (b) There were 55 nursing staff and 36 doctors per 100,000 out of the population in North Western Province as at the year 2017. There was a shortage of staff for the patient treatment service in North Western Province since the nursing staff was 175 and doctor's staff was 55 in the island.
- (c) There was no any duty relating to post of 154 spray machine operator working in medical institutes and hospitals in North Western Province.
- (d) Even though there should be 150 nurses, 94 doctors and 16 specialists to implement the patient treatment services in the modernized Galgamuwa hospital at an optimum level, only 2 specialists, 18 doctors and 53 nurses had been attached as at the end of the year 2017.
- (e) 357 persons including doctors, nurses, management assistant and minor staff employees had been worked at a same place from 5 years to 28 years time period in 6 hospitals including Kurunegala Medical Healthcare Director's Office due to the non functioning/ implementation of a systematic transfer policy.

### **6.10 Bank Accounts**

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An amount of Rs. 11,133,126 balance in the current account on the decisional functioning of Chilaw Co - operative Sub Commissioner's office had been held for a long period of time without settling to the relevant parties.

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

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### **7.1 Budgetary Control**

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There was a total sum of Rs. 5,287,644 in exceeding of the maximum limit in expenditure relating to the advance activities of the public officers according to 9 Provincial Department / Ministries.

## 8. System and Controls

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

<b>System</b>	<b>Weaknesses</b>
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(a) Accounting	(i) Non recording of arrears revenue (ii) Weak expenditure ledger Control
(b) Human Resource Management	(i) Availability of weaknesses in employee administration. (ii) Non completion of vacancies in staffs.
(c) Implementation of projects	(i) Availability of weaknesses in project planning (ii) Availability of weaknesses in project management (iii) Non conducting the feedback activities.
(d) Financial and Operational Control in the institutions established on Ordinances	(i) Actions had not been taken to earn revenue (ii) Availability of weaknesses in debt management (iii) Availability of weaknesses in assets management
(e) Vehicle Controlling	(i) Repair and maintenance had not been taken properly (ii) Non - implementation of investigations relating to the damages immediately.