

Western Provincial Council - Year 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Western Provincial Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including the summary of significant accounting policies was carried out under my direction in pursuance of provisions in Section 23(1) of the Provincial Councils Act, No. 42 of 1987 and National Audit Act, No. 19 of 2018 read in conjunction with Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The summary report was issued on 12 December 2021 in terms of Section 23(2) of the Provincial Councils Act and Sub-section 11(1) of the National Audit Act, No. 19 of 2018, and the Detailed Annual Management Audit Report in terms of Sub-section 11 (2) of the National Audit Act , No. 19 of 2018 was issued on 09 February 2022 . This report will be presented to Parliament in pursuance of provisions in Article 154 (6) of the Constitution and the Sub-section 10(1) of the National Audit Act and the copy of the report is also submitted to the Governor for submission to the Provincial Council in terms of Section 23 (2) of the Provincial Council Act No. 42 of 1987.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Paragraph of this report, the financial statements of the Western Provincial Council give a true and fair view of the financial position of the Western Provincial Council as at 31 December 2020, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Actions should be taken to hand over the assets purchased for the new Provincial Council Building amounting to Rs. 557,984,598 to the institutions under the Provincial Council before 30 November 2019 in writing as per the Section 3.1 of the Financial Circular No. 09/2019 of Chief Secretary to the Provincial Council dated 02 October 2019 and the receipt orders should have been issued by entering into inventory register based on issuing orders receive at the time of undertaking them. But the issuing orders or receipt orders pertaining to the assets purchased by paying a sum of Rs. 557,984,598 in cash by the Engineering Bureau from the year 2018 to</p>	<p>Information has been called from the Provincial Road Development Authority, Economic Promotion Bureau and the Information Technology Resources Development Authority and it is informed that the further actions will be taken in this year after receiving those information.</p>	<p>Relevant assets should be entered into the inventory registers in accordance with the instructions of the Financial Circular of the Chief Secretary.</p>

2020 carrying out procurement activities by the Provincial Road Development Authority, Economic Promotion Bureau and Information Technology Resources Development Authority had not been issued accordingly. Therefore, the above assets had not been entered into the statement of financial position of the Western Provincial Council in the year under review.

- (b) Assess all the non-financial assets and accurate information on assets should be submitted to the Comptroller General with effect from 01 January 2019 in terms of Sections 02 and 07 of the Asset Management Circular of the Ministry of Finance and Mass Media No. 04/2018 dated 31 December 2018 and Western Province Financial Circular No. 03/2019 dated 01 March 2019. But the assets of the Engineering Division valued at Rs. 6,069,989,056 were not assessed and relevant
- It has been taken into notes to carry out relevant assessments and enter into the accounts in the year 2021 .
- Actions should be taken in terms of circular provisions.

accurate information had not been submitted to the Comptroller General and as a result of failure to assess so , accurate values had also not been brought to accounts.

- (c) Actions had not been taken in Chief Accounting Officers and Accounting Officers in respect of deposit balances in terms of F.R. 571 in respect of 581 deposit balances which had lapsed 02 years after making deposits but not realized as at 31 December totalled to Rs. 64,472,590 in 02 Ministries, 09 Departments, 18 Divisional Secretariats and a Commission. Actions should be taken in respect of deposit balances in terms of Financial Regulations. have been instructed to take necessary actions to settle the unsettled deposit balances during the year 2021 .
- (d) Although the non-financial assets of Western Province Economic Development Bureau cost at Rs. 7,502,574 had been completely depreciated, further being used as a result of not reviewing of effective lifetime of non-current assets annually. The actual value of the assets had not appeared in the accounts because of failure to take actions to revalue these assets. A re-evaluation of non-current assets valued at Rs.6,579,182 has been performed. All the assets which were totally depreciated but still being used should be revalued.

- (e) The imprest balance of The Department of Arrangements should be Rs. 230,917,360 of the Health Services has made to settle the Western Provincial been advised to settle unsettled imprest balance Department of Health the unsettled imprest without delay. Services had not been settled balance as soon as to the Western Provincial possible. Treasury even by 12 July 2021 .
- (f) The remittance balance of The Department of Arrangements should be the Western Provincial Health Services has made to settle the Health Services Department been advised to settle remittance balance amounting to Rs. 21,801,471 the remittance as promptly. had not been settled to the soon as possible Western Provincial Treasury even by 12 July 2021 .
- (g) Although it has been using Comments have not Arrangements should be by the Department of been given. made to take over the Business Name Registration ownership of the motor Western Province, the value vehicle and to account for of a motor vehicle which was under the correct asset registered in the name of the category. Chief Secretary but not make arrangements to take over the ownership by registration in terms of Financial Circular No. 06/2018 dated 26 February 2018 of the Chief Secretary of the Western Province amounting to Rs. 3,400,000 had been accounted for under the

property, plant and equipment of the Department.

- (h) Although the Container Cabin which was issued by the Economic Promotion Bureau to the Provincial Ministry of Education on 21 January 2020 valued Rs. 1,480,000 had been undertaken and issued Certificates of Acceptance by the Ministry on 14 October 2020, that value had not been accounted for in the Ministry. Actions should be taken to account for the assets.
- (i) Actions had not been taken to assess the 46 vehicles attached to the institutions under the Director Office of the Gampaha Regional Health Services and get accurate value. Therefore, it had been impossible to show the accurate value of vehicles within the assets. The offices of the Regional Director of Health Services have been informed to make necessary arrangements to assess these vehicles and account for their values in preparing final accounts for the year 2021. Actions should be taken to assess and account for the value of the vehicles.

- (j) There were 32 vehicles belonging to the Chief Secretariat as at 31 December 2020 and the value of those vehicles had not been assessed and accounted for. Comments have not been given. Actions should be taken to assess and account for the value of the vehicles .

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

1.3 Responsibilities of the Management for the Financial Statements

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

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

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

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Deliberate evasion or evasion of internal controls will cause to fraud.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements

represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Head 104 - Ministry of Local Government, Economic Promotion, Power and Energy, Environment Affairs, Water Supply and Drainage and Tourism (W.P.)

1.5.1 Western Province Economic Promotion Bureau

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Although the rules should be prepared by the Chief Executive Officer and get approved by the Governor to implement the Charter of the Bureau, enforce and to charge the fees in terms of Section 19(1) of the Economic Promotion Bureau Charter, such rules had not been formulated.	Financial rules are in the final stages of drafting.	Set the rules immediately in accordance with the Charter and the approval of the Governor should be obtained.
(b) The Bureau had been established for the carrying out the functions of promotion of agricultural, industrial, commercial and trade	It is expected to acquire the capital assets for the Vespro Press using the money and because	Actions should be taken to utilize the capital grants to achieve the desired objectives from that.

enterprises and other income generating projects in the Western Province, establishment and formulate and implement plans for engaging in those activities. The capital grant of Rs.20,000,000 received by the Bureau from the Ministry of Local Government (W.P) during the year under review in order to carry out those activities effectively and efficiently had not been used for any purpose even by the end of the year.

- (c) A sum of Rs. 11,747,533 should have been received from various institutions to the service provided by the "Vespro" Security Service exists under the Bureau at the end of the year under review. Similarly, the Pradeshiya Sabha had decided to deduct the loss of Rs. 2,117,441 occurred to the Homagama Pradeshiya Sabha on 25 March 2015 due to the damage on a fire that destroyed the scrap warehouse from the payments made for the months of September to December 2019

of the lack of more funds for that, it is intended to keep the investments in call deposits until the arrears are met.

The letters with facts have been sent to the Chief Executive Officer of the Economic Promotion Bureau dated 22 March 2021.

The Bureau should refer to a referee and take action to recover this amount.

"Vespro" Security Service for providing services to the Pradeshiya Sabha . Accordingly, a sum of Rs. 2,103,249 had been deducted from bills for the months from September to December 2019 . The Council had unilaterally withheld the money without paying it to the Bureau without sending to a referee in terms of the agreement entered into between the Economic Development Bureau and the Homagama Pradeshiya Sabha in this regard. The Bureau had also not taken appropriate actions to recover this amount.

(d) The balance receivables for uniform loans of the employees of the Vespro Security as at 31 December 2020 was Rs. 1,088,057 and within that balance, there was a sum of Rs. 777,227 to be received from the employees who had left the service in the years 2011 and 2012 also included in.

The approval had been given to remove the balance of Rs.777,227 pertaining to the years 2012/2013 from the accounts. Actions should be taken to recover the uniform loan regularly.

- (e) Supervision of the projects implemented by the Bureau should be a responsibility and a part of the duty of top management, including the executive officer of the Bureau. But, a sum of Rs. 2,245,000 had been paid to 04 officers, including the CEO as a project supervision allowance from the Vespro Security Project from the year 2018 to the end of 2020 . This allowance which was paid only with the approval of the Board of Directors of the Bureau as a fuel allowance since 2013 without obtaining the approval of the Provincial Treasury, had been paid from March 2018 changing the name of the allowance as Project Supervision Allowance.
- The Board of Directors is empowered to pay the salaries of the employees of the Bureau under the General Powers of the Economic Development Bureau Charter (15, d) No. 09 of 2010 of the Western Provincial Council. Actions should be taken to obtain proper approvals for the payment of allowances.
- (f) A sum of Rs. 3,911,710 had been paid to 17 officers of the Bureau including the Chief Executive Officer from the year 2018 to the end of the year 2020 as a project allowance for providing services of the health services project related to the "Vespro" office premises
- The Board of Directors is taken to obtain the approval of the relevant Governor for the payment of allowances. (Because of the Provincial Council has been dissolved)
- Actions should be taken to obtain the approval of the relevant Governor for the payment of allowances. (Because of the Provincial Council has been dissolved)
- The Board of Directors is empowered to pay the salaries of the employees of the Bureau under the General Powers of the Economic Development Bureau Charter (15,

without any legal provision.

d) No. 09 of 2010 of
the Western
Provincial Council .

1.5.2 Western Province Tourist Board

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Magazine revenue receivable for 17 Volumes of Magazines issued by the Tourist Board amounting to Rs. 5,572,200 and a balance receivable remaining from the year 2013 amounting to Rs. 776,282 had not been able to recover even during the year under review as per the information submitted for audit in the year 2020 .</p>	<p>A detailed report on the recovery of the relevant arrears has been prepared to be sent to the Governor .</p>	<p>Actions should be taken to recover the balances receivable.</p>
<p>(b) A number of 15 staff members had been approved by a letter from the Director General of Management Services dated 30 September 2019 for the Board. Nevertheless, due to failure to get approved a Scheme of Recruitment for the Board, that staff could not be able to be recruited and the available</p>	<p>Scheme of Recruitment has not been approved by now. It is informed that the relevant officers have been deployed to continue the activities of the Board until the approval is received .</p>	<p>Scheme of Recruitment should be prepared and approved without any delay .</p>

staff consists of 06 acting posts and 09 posts recruited on contract basis .

- (c) The Board had appointed 08 Management Assistant officers who are serving on a contract basis to the Board and 04 Acting Management Assistant officers working on contract basis. Based on the existence of only 03 Management Assistant posts in the staff approved for the Board, 09 persons had been deployed in excess.
- Even though these officers were initially recruited on service requirements, only 03 posts of Management Services Officers of the approved cadre have been approved by the Department of Management Services in the year 2020 .
- Only the approved staff should be deployed.

1.6 Head 106 - Ministry of Agriculture, Land, Irrigation, Fisheries, Animal Production and Health and Agrarian Development

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) When submission of the form to the Public Service Commission by the Secretaries of the Ministries, Heads of Departments for re-employment of a retired officer, the	The recommendations of the Chief Secretary or the approval of the Public Service Commission had not been obtained	It should act considering the relevant appointment as an illegal appointment.

recommendations of the Chief Secretary should be obtained for that in terms of Sections 08, 09 of Public Administration Circular No. 03/2018 dated 20 February 2018 and the letter of the Chief Secretary of the Western Province No. CSO/ADM/18/38/01/01-2018 dated 16 March 2018. But, the recommendation of the Chief Secretary had not been obtained in respect of the officer who had been appointed on contract basis from 24 August 2020 for the post of Secretary to the Ministry of Agriculture, Land, Irrigation, Fisheries, Animal Production, Health and Agrarian Development .

regarding the officer who had been appointed on contract basis from 24 August 2020 .

1.6.1 Agro Services Authority

----- Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
A Project valued at Rs. 2,000,000 had been commenced by the Agro Services Authority in the years	Comments have not been given.	Actions should be taken to achieve the objectives desired

2019 and 2020 to carry out agricultural product packaging, value addition and conducting training workshops for that within the Western Province . Even though it had been stated that the actions would be taken to provide the right of use the equipment purchased to the societies by agreements and to provide to selected groups established at Agrarian Service Centers and Community Service Centers as per the Project Report, the equipment had been handed over to the Pitipana Aquatic Center in Negombo in contrary to that . Since various problems had arisen in the equipment undertaken to the Pitipana Aquatic Center subsequently, those had been returned to the Authority.

from the Project and to conduct an investigation on the procurement process.

1.7 Head 107 - Ministry of Roads, Transport, Cooperative Development and Trade, Housing and Construction, Estate Infrastructure, Industry and Rural Development

1.7.1 Provincial Road Development Authority

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) As a result of development of the Kelaniya Southern Way without acquiring the lands, a sum of Rs. 111,419,945 had been decided to be paid on the judgement of the cases filed by the land owners against the Western Province Road Development Authority and of that, a sum of Rs. 89,011,500 had been paid by the end of the year under review.</p>	<p>It is stated that this compensation payment has been made obtaining the assessment values of those land plots in the year 2011 .</p>	<p>An inquiry should be carried out to ensure whether the compensation had to be paid for the negligence of the officers.</p>
<p>(b) In addition to the approved staff for various projects and activities, the Provincial Road Development Authority had employed 554 employees as 408 employees on a substitution</p>	<p>It is stated that the further actions are being taken to get approved this staff.</p>	<p>Recruitment of employees should not be done exceeding the approved staff.</p>

basis and 146 employees on contract basis exceeding the approved staff for the activities of the Authority and a Manpower Plan had not been prepared and the approval of the Department of Management Services had not been obtained.

1.7.2 Industrial Development Authority

----- Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>The building where the Industrial Development Authority located with 7,800 sq. Ft. in extent is functioning on the annual lease rent amounted to Rs. 3,360,000 by the year 2020 . An extent of 750 sq.ft. of that building had not been used by the Authority from the year 2015 and the lease rent paid from the year 2015 to the year 2020 on the number of square feet of that portion had been Rs. 1,759,423 . Actions had not been taken by 31 March 2021 to deploy the portion that had remained in idle from the month of January 2015 .</p>	<p>Comments have not been given.</p>	<p>Actions should be taken to utilize the idle part for productive activities.</p>

1.8 Head 108 - Ministry of Education, Cultural and the Arts, Sports and Youth Affairs and Information Technology

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>Actions had not been taken to recover the damages occurred from the responsible parties or to write off them from the books with formal approval in terms of Western Province Financial Rules 54.1.6 for the loss occurred from the accident of 03 vehicles remaining from a long time of the Ministry of Education and the loss of a television amounting to Rs. 3,295,634 .</p>	<p>Comments have not been given.</p>	<p>Actions should be taken in accordance with Provincial Financial Rules.</p>

1.8.1 Western Province Information Technology Resource Development Authority

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) A sum of Rs.147,275 which was not recovered for more than 05 years and Rs.435,325 which was not recovered for a period from 03 to 05 years had been</p>	<p>Comments have not been given.</p>	<p>If the balance can be recovered or cannot be recovered, legal actions should be taken against those who are responsible.</p>

included within the balance of accounts receivable amounting to Rs.7,675,150 as at 31 December for the year under review .

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| <p>(b) Instead of setting up the Management Software as stated in Sections 9 (3), 9 (4) and 9 (5) of the Western Province Information Technology Resource Development Authority Charter No. 01 of 2017 , the Authority had purchased and installed a Complaint Management System from a private institution in the year 2018 at a cost of Rs. 3,756,750 for the new office complex of the Western Provincial Council.</p> | <p>Due to the lack of adequate staff in the Authority, suppliers have been selected under a formal procurement process With the approval of the Board of Management.</p> | <p>The Authority shall act in accordance with the provisions of the Charter.</p> |
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1.8.2 Aesthetic Resort Authority

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Arrangements had not been made to take over the ownership of a double cab and a three wheeler which were</p>	<p>Comments have not been given</p>	<p>Actions should be taken to take over the ownership of the assets accounted for under the Authority.</p>

accounted for in the financial statements valued at Rs.5,350,000 from the Ministry of Western Provincial Roads even by the end of the year under review.

1.9 Head 109 - Chief Secretariat

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Although a monthly housing allowance could not be paid to the officers in terms of Chapter xix of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, an official quarters allowance of Rs.12,417,000 had been paid for 19 Officers of the Provincial Council from November 2017 to December 2020 .</p>	<p>Payments are being made with the approval of the Provincial Cabinet of Ministers in accordance with the provisions set out in Section 32 (3) of the Provincial Council Act in terms of the approval granted by the Hon. Governor.</p>	<p>It should act in accordance with the provisions of the Establishments Code.</p>
<p>(b) A loan advance balance of Rs.1,868,511 provided to deceased and retired officers or employees of 06</p>	<p>The Department of Pensions has been informed to recover the loan balances of the deceased and</p>	<p>It should act in accordance with the provisions of the Establishments Code.</p>

Institutions in accordance with Sections 4.2.2, 4.2.3, 4.5, 4.6 and 6.3 of Chapter xxiv of the Establishments Code of the Democratic Socialist Republic of Sri Lanka could not be able to recover.

retired officers from the gratuity and relevant arrangements are being made to recover the debt balances of deceased officers who are not entitled to pensions.

(c) The Head of the Institution should identify a suitable successor during the period of re-employment of a retiree in terms of Section 2.V of the Public Administration Circular No. 03/2018 dated 20 February 2018 and the training of that officer should be delegated to the retired officer as the responsibility of him to be re-employed. However, 08 officers of 03 Local Government Institutions had been employed on contract basis for a period of 02 to 05 years necessary steps had not been taken to train a suitable officer.

The recommendations that an officer should be re-employed subject to training a during the relevant period have been given. Nevertheless, the relevant contract appointments have been made depending on the large number of vacancies available, the vacancies of experienced officers and the service requirements and the arrangements have been made to make acting appointments whenever possible.

Actions should be taken in terms of circulars.

- (d) Although there should be no unsettled loan advance balances among Departments elapsing 02 months after the transfer in or elapsing 03 months after the transfer out an officer or employee in terms of Section 1.1.7 of the National Budget Circular No. 118 dated 11 October 2004 and Section 03 (e) of the Public Finance Circular No. 05/2019 dated 27 June 2019 , there were outstanding balances of 06 institutions amounting to Rs. 2,889,923 for more than one year.
- Since the debt balances of officers who had been transferred to Local Government Institutions are settled in monthly installments, the unsettled debt balances are thus exists.
- Actions should be taken in terms of circulars.
- (e) Since the Public Service Commission is the appointing authority for all island-wide service posts in terms of Section 5.III of the Public Service Commission Circular No. 03/2019 dated 10 October 2019 , approval of the Public Service Commission should be obtained for re-employment of retired
- Although the Secretary to the Ministry of Public Service, Provincial Councils and Local Government has been informed about the vacancies from time to time, a sufficient number of officers had not been provided to the Provincial Council
- Actions should be taken in terms of circulars.

officers in the posts to fill those belonging to the Island-wide Services existing in the Provincial Council. However, 13 officers as 07 posts of Accountants, 05 posts of Accountants in 5 other Local Government Institutions and 01 Secretary post of the Provincial Ministry of Agriculture of the Colombo Municipal Council had been employed on a contract basis by the Governor without obtaining the relevant approval.

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| (f) | The actual income of the 05 Revenue Codes had been higher than the estimated income and the variance therein had ranged from 16 per cent to 388 per cent. | Comments have not been given. | Revenue should be estimated more accurately with adequate concern. |
| (g) | The actual income of the 13 Revenue Codes had been lower than the estimated income and its variance had ranged from 25 per cent to 100 per cent. | It is indicated that, as a result of the lock down of the country totally in the year 2020 it has been impossible to achieve the | Actions should be taken to revise the revenue estimates if the estimated revenue cannot be revised. |

estimated revenue targets based on the unfavorable situation occurred to the entire economy under the Covid epidemic.

- (h) Revenue collection of the 15 Revenue Codes for the year under review had fallen from 24 per cent to 352 per cent as compared to the preceding year. Because the country was completely lock down under the Covid epidemic , the estimated revenue targets could not be achieved on the unfavorable situation occurred to the whole economy . Estimated revenue should be achieved.
- (i) The revenue to be received under 05 Revenue Codes in each institution by the three Revenue Accounting Officers amounting to Rs.76,569,423 had been written off from the books during the year under review. Those arrears have been written off as per a decision taken by the Deputy Commissioners' Committee which is held semi-annually once it is satisfied that stamp duty including contract fees cannot be recovered under Provincial Financial Rules 116-1, except for postal and court Only the loan balances that ensures that the arrears cannot be recovered through legal means or other means should be written off .

proceedings.

Turnover tax has been written off after having satisfaction on all evidence.

- (j) Revenues had been collected under 30 Revenue Codes in the year under review and out of that, there was an arrears income amounting to Rs.11,279,032,524 pertaining to 17 Revenue Codes by 31 December 2020 .
- As a result of practical issues in implementation of the mechanism exists for the collection of revenue under Covid epidemic situation, it is indicated that there were difficulties in collection of revenue continuously and already exists.
- Actions should be taken to recover the arrears income .
- (k) A sum of Rs. 500,853 as Annual License Fee and a sum of Rs. 170,392 as fines pertaining to that with regard to the 17 lands leased out by the Wattala Divisional Secretariat had to be recovered . Further, arrears of lease amounting to Rs. 3,021,122 and the
- Comments have not been given.
- Actions should be taken to recover the arrears lease and fines or if it could not be able to recover, legal actions should be taken against the Lease Holders.

finer pertaining to that amounting to Rs. 98,560 had to be recovered as at 31 December 2020 for the 03 lands provided on long term lease basis.

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| <p>(l) A sum of Rs. 3,566,080 had to be recovered as leases and fines pertaining to 08 lands which have been given as long term leases by the Ja-Ela Divisional Secretariat.</p> | <p>Comments have not been given.</p> | <p>Actions should be taken to recover arrears of leases and fines or if they are unable to collect, Legal actions should be taken against the lessee.</p> |
| <p>(m) A sum of Rs. 7,528,250 had to be recovered as leases pertaining to 02 lands which have been given as long term leases for the period from the year 2007 to 2020 by the Mahara Divisional Secretariat.</p> | <p>Comments have not been given.</p> | <p>Actions should be taken to recover arrears of leases and fines or if they are unable to collect, Legal actions should be taken against the lessee</p> |
| <p>(n) The land had been leased out for a period of 30 years on 01 January 1974 to a Co-operative Society by the Divulapitiya Divisional Secretariat and activities had been commenced to lease to the same society as a new identification again in the</p> | <p>Comments have not been given.</p> | <p>Actions should be taken to lease out the lands in a proper manner and to recover the due leases.</p> |

year 2012 after the end of the lease period in 2004 . The information requested by the Land Commissioner General in 2016 from the Divisional Secretary regarding a discrepancy in the information submitted regarding the extent of the relevant land had not been submitted even by 05 February 2021. Accordingly, it was observed that the society has been using the relevant land without paying the leases for more than 16 years continuously after the expiry of the 30 year lease period .

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| (o) | It was observed that the 35 families residing in 05 plots of 622 perches of government lands in Katana Divisional Secretariat area had remained without a grant for more than 20 years. | Comments have not been given. | Arrangements should be made to lease out or issue grants. |
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- (p) The value of damages to be received by 14 Ministries and Departments by 31 December 2020 was Rs. 59,187,542 . Only one institution has commented. Actions should be taken to recover the losses.

1.10 Head 110 - Engineering Bureau

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although all purchased items should be included on the receipt side of the inventory books in terms of Western Province Financial Rules 471.1 and also the audio conferencing system purchased by the Provincial Road Development Authority for Rs. 115,000,000 during the period from 2018 to 2020 had been handed over to the Council Secretariat, it had not been included in the inventory of the Council Secretariat due to lack of exchanging of relevant issuance and receipt orders.	Actions had not been taken to enter the Audio Conferencing System purchased from 2018 to 2020 into the inventory books or enter into the inventory of the Council Secretariat where the goods are used by issuance / receipt orders.	Actions should be taken in terms of Financial Rules .

- (b) The Provincial Engineering Bureau had procured a communication equipment system valued at Rs. 115 Million for the Chamber of the Western Provincial Council. Although according to the Preliminary Bill of Quantity prepared, it had stated that 145 Delegate Units had been procured, since the number of units installed was 110, an overpayment of Rs. 17,431,085 had been made as Rs. 498,031 per unit for 35 units. Similarly, although the total number of Members required to vote on the proposals of the House is 104 Members, a controversial expenditure of Rs. 3,324,200 had been incurred by purchasing an additional 40 units of Voting Units at Rs.83,105 each. Similarly, in addition, 1,058 items of equipment which were purchased in excess of the requirement had been kept in warehouses without using and the warranty period of them and ability to use updates were being obsolete.
- It is informed that the decisions and procurements related to this purchase has not been done by the Council Secretariat .
- An investigation should be conducted and those responsible should be determined and extra payments should be recovered.

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| (c) | The assets such as furniture, office equipment, plant & machinery and software development purchased in the year 2018 by the Western Provincial Engineering Bureau totalled to Rs. 557.98 Million , even by 31 December 2020, it had not been documented. | Actions are being taken to enter into the Register of Fixed Assets in the year 2021 . | Assets should be documented as soon as the is purchase done. |
| (d) | There were vacancies in 08 Engineering posts, 14 Tertiary level Technical Officer posts, 09 Draughtsman posts, 02 Quantity Surveyor (QS) posts, 15 Technical Officer Civil posts and 04 Technical Assistant posts in the Bureau of Engineering and relevant recruitments could not be made. | Comments have not been given. | Vacancies should be filled. |

1.11 Head 112 - Department of Local Governance

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) The Department of Local Government had procured 06 LED panels on 03 occasions from 2015 to December 2017 at a cost of Rs. 14,025,573 and the	The LED panels purchased in 2017 had been purchased by following the procurement procedure in	Actions should be taken in terms of Financial Rules and Procurement Guideline.

tender procedure had not been followed as per Provincial Financial Rules 416.1 and Procurement Guideline 2006 for the purchase of 03 boards valued at Rs. 4,328,370 on 30 December 2016 from that. Three out of the above 06 boards are not in working condition at present and the other 03 boards were also not utilized. As a result of failure to enter into agreements under Financial Rules 431, the inactive boards could not be activated .

accordance with Provincial Financial Rules 416.1 and Procurement Guideline 2006 .

(b) The assets of the Department valued at Rs. 122,976,348 as at 31 December 2020 had not been properly documented.

It is informed that the actions will be taken to update and maintain in future.

Actions should be taken to enter the assets in registers.

(c) The arrears income of 49 Local Government Regularities in the Western Provincial Council area was Rs.7,295,160,138 as per the information submitted as at 31 December 2020 .

The charges have been submitted up to 31 March 2021 .

Actions should be taken to recover the arrears.

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| (d) | The value to be recovered regarding 25 surcharges imposed by the Auditor General against the officers of 04 Municipal Councils and 02 Pradeshiya Sabhas as at 31 December 2020 was Rs. 32,682,530. | The balance due has been submitted. | Actions should be taken to recover the surcharge from the responsible parties. |
| (e) | The answers had not been submitted for 64 audit queries issued to 14 Local Government Institutions on the existing shortcomings of the Local Government Regularities up to 31 December 2020 . | Comments have not been given. | Answers for audit queries should be sent without delay. |

1.12 Head 113 – Department of Health Services

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a)	Three ambulances, a cab, a jeep and a three wheeler remained in the office of the Director of Health Services, Gampaha had not been used for more than 01 to 5 years.	Comments have not been given.	Actions should be taken to use or dispose of unused vehicles.
(b)	Even though the announcement of the acquisition of the land with	Land acquisition activities are being carried out by the	Land acquisition activities should be carried out promptly .

an assessed value of Rs.24,000,000 where the building of the office of the Medical Officer of Health, Padukka is located had been Gazetted on 27 April 2017 , the land had not been acquired from its private owner even by the 5 July 2021 .

Divisional Secretariat of Padukka.

1.13 Head 115 - Department of Social Services

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Although the minimum credit limit of the advance account for the Provincial Council Officers of the Department of Social Services was Rs. 9,000,000 during the year under review, the actual credit balance was only Rs. 8,920,722 .</p>	<p>All Chief Accounting Officers and Accounting Officers have been instructed to take necessary measures to prevent such incidents in future.</p>	<p>If the limits cannot be reached in terms of Financial Regulation , limits need to be revised.</p>

1.14 Head 118 – Department of Land Commissioner

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The lease period for 1.163 hectares of land leased by Thimbirigasyaya Divisional Secretariat to a private company on a long term basis had expired on 30 September 2020 and the ownership of this land had been returned to the Divisional Secretariat. An arrears of Rs.31,216,249 to be received for the occupying of this land by the institution from the year 2006 to the year 2020 and these arrears had not been recovered even by the 31 December 2020 .</p>	<p>Actions are being taken continuously in respect of this charge.</p>	<p>Actions should be taken to recover the arrears.</p>

1.15 Head 123 - Department of Business Name Registration

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
A software had been purchased on 16 June 2020 by the Department of Business Name Registration by paying Rs. 8,631,583 for the issuing of business registration certificates. However, as a result of non-providing access to the software to enter information to the Divisional Secretariats, the purpose of purchasing the software had not been achieved even by 19 March 2021	Comments have not been given.	The objectives should be met when purchasing software.

1.16 Head 126 –Department of Education

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) A number of 1,099 proposals with an estimated value of Rs.1,940 Million had been approved for the new work under the Provincial Development Plan for the year under review. The matters observed in this regard are shown below.		

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| <p>(i) There are half-built construction halted buildings in the 07 schools belonging to the Minuwangoda Zonal Education Office and although the amount required to complete the work on those buildings were estimated at Rs. 88,000,000 and included in the Annual Development Plan 2020, actions had not been taken to complete works on those buildings obtaining the necessary provisions for the year under review.</p> | <p>Comments have not been given .</p> | <p>Arrangements should be made to complete the construction of the half-built and construction halted buildings.</p> |
| <p>(ii) Even though a new two storied building for the replacing of the building to be demolished at WP/Minu Dagonna Methodist Primary School had been included in the Annual Development Plan 2020 at an estimated cost of Rs. 15 Million, it had not been implemented.</p> | <p>Comments have not been given.</p> | <p>The projects included in the Annual Development Plan should be implemented.</p> |
| <p>(iii) A sum of Rs.248,653,070 had been incurred for 25 half-built buildings in the Kelaniya</p> | <p>Comments have not been given .</p> | <p>Arrangements should be made to complete the construction of the</p> |

Educational Area and an amount of Rs.221,166,540 was required to complete the remaining works on those buildings. It is observed that the increase of future costs to be borne for those buildings and damage to unfinished buildings from exposure to sun and rain due to the fact that the non-completion of those half-built buildings furthermore.

half-built and construction halted buildings.

(b) A sum of Rs. 283,400,000 had been reserved for 13 projects under the “Nearest School is the Best School” Project for the Negombo Zonal Education Area. Although the buildings of 07 schools have been completed with that money, the completion rates for the 06 buildings had ranged from 25 per cent to 90 per cent . Out of these buildings, the construction of 4 buildings which were built up in 03 schools at a cost of Rs.20,474,232 had been stopped.

Actions for obtaining the approval for tender activities required for re-commence of constructions are being carried out .

Actions should be taken to complete the construction works of the buildings completely.

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| <p>(c) The works of 16 buildings which were commenced constructions in the Negombo Zonal Education Office area from the year 2013 had not been completed and the expenditure incurred on construction at the end of the year under review was Rs. 332,325,018 . It had been estimated that the another Rs. 99,300,000 would be required to complete the construction.</p> | <p>Policy decisions have been taken at the Provincial Ministry level for the highest priority of the development plan.</p> | <p>Actions should be taken to obtain additional capital and complete the works.</p> |
| <p>(d) Commencing a construction of the canteen and teachers' dormitory of Ja-Ela Holy Rosary College in the year 2017 under the concept of making the Nearest School is the Best School belonging to the Negombo Zonal Education Office, the construction had been halted after the roof was finished by incurring Rs.6,929,991 . Similarly, since there are not enough buildings to continue the primary section of this school where the two more half-built buildings exists, it was observed that the classes are held in the primary section of a Catholic church a 800</p> | <p>Arrangements have been made to inform the Project Director of the Nearest School is the Best School to take the necessary future steps to complete this construction works expeditiously.</p> | <p>Actions should be taken to complete the construction works promptly.</p> |

meters away. Due to the lack of security of the school, the decay of the iron bars, the damage occurred to the school property and the spread of dengue, creating a dangerous environment and the lack of building facilities, the primary students also had to face various difficulties.

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| <p>(e) Construction works of the two storied Technology Laboratory Building of St. Sebastian's College which was commenced its works on 06 March 2017 under the Nearest School is the Best School project belonging to the Negombo Zonal Education Office had been stopped since 4 August 2018. Since this building which was half -built at a cost of Rs.22,860,962 had exposed to the environment for nearly two years, it was observed in physical inspection carried out on 28 September 2020 that the reinforcement bars are rusting and decaying.</p> | <p>Requests have already been made to obtain the approval for the tender activities to resume construction.</p> | <p>Actions should be taken to complete the construction works which were already commenced.</p> |
| <p>(f) There are 11 Provincial Council official quarters at Gampaha Zonal Education</p> | <p>It is informed that the repairing of 04 official quarters are</p> | <p>School quarters should be used.</p> |

- Office and it was observed that 04 are in a condition to be repaired and 02 are unusable and being decayed out of that.
- being carried out and the formal procedures for demolition of 1 is being made.
- (g) It was observed that there are the buildings with risky and urgent roof repairs in the Minuwangoda Zone and out of 21 schools, students in 19 schools have engaged in the activities in such dangerous buildings and the roofs of two schools had collapsed. Although a rough estimate of Rs.100,500,000 had been prepared for the repair of risky roofs and included in the Development Plan for the year 2020, the roofs of these schools had not been repaired.
- Repairing of 04 buildings have already been done and the remained schools have been entered in the waiting list.
- Very urgent risky repairs should be done promptly.
- (h) The number of schools closed due to the decrease in the number of students in the schools in the Gampaha Zonal Education Area during the period of last two decades was 15 .
- Fourteen closed schools have been handed over to the Divisional Secretary by now.
- Actions should be taken to increase the number of students in schools where the number of students is less. If that is not possible then use it for other purposes.
- (i) There were 12 closed schools out of the schools in the Negambo Zonal Education
- It has been joined into the primary college or the high
- Actions should be taken to increase the number of students in

Area during the period of last two decades and out of these 04 schools had been joined to another school. The remaining 08 schools were entirely closed and 04 of them were handed over to the various institutions and religious places.

school of the same college . As 03 schools belonging to the Catholic Church, they have been assigned to the Church.

schools where the number of students is less. If only it is not possible it should be used for other purposes.

(j) Although the Mahindodaya Technical Laboratory at Minu / Hunumulla Maha Vidyalaya is a Type 01 Technical Laboratory which is offered to the schools that conduct Advanced Level Classes, since A/L classes are not held at this school it was observed that there was no need for a Type 01 technical laboratory. The Ground floor of this technical laboratory which was reserved for Chemistry Lab and Physics / Mathematics Lab are currently run as Mathematics Room for Grades 6 -11 and the upstairs which was classified as Language Lab and Information Technology Lab could not be used for educational purposes due to non-supply of 60 computer chairs and 216 devices including 62 computers which

The laboratory is opened by now. The Ministry of Education has been made aware to provide the necessary equipment.

Arrangements should be made to provide the necessary equipment to the laboratory as soon as possible.

were to be provided for those laboratories.

(k)	It was observed that there are 31 schools with less than 100 students in the Minuwangoda Zonal Education Area at present and the number of schools closed was 15 due to the decrease in the number of students since 1996 .	Comments have not been given.	Actions should be taken to increase the number of students in schools where the number of students is less. If only it is not possible it should be used for other purposes.
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2. Financial Review

2.1 Financial Result

The operating result of the Provincial Council Fund for the year then ended 31 December 2020 was a surplus of Rs. 1,170,517,374 as per the financial statements submitted and deficit against it for the preceding year was Rs. 2,441,053,486. Accordingly, a growth of Rs. 3,611,570,860 had occurred in the financial result of the Fund and although the tax revenue decreased by Rs.19,664,203,127, increase in receipts of government recurrent grant by Rs.27,593,250,000 had mainly attributed for this growth.