

North Western Provincial Council -2019

1. Financial Statemets

1.1 Qualified Opinion

The audit of the financial statements of the North Western Provincial Council for the year ended 31 December 2019 comprising the statement of financial position at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(3) 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 and provisions of the National Audit Act No. 19 of 2018. The summary report in terms of Section 23 (2)of the Provincial Councils Act and provisions in Section 11 (1) of the National Audit Act No. 19 of 2018 was issued on 21 August 2020 and the Detailed Management Audit Report in terms of Section 11 (2) of the National Audit Act No. 19 of 2018 was issued on 27 August 2020. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the North Western Provincial Council as at 31 December 2019, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

1.3 Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector 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.

Those charged with governance of each institution including the Provincial Treasury are responsible for overseeing the Provincial Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the North 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 Provincial Council.

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 scepticism throughout the audit. I also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Report on Other Legal and Regulatory Requirements

- (a) The financial statements of the Provincial Council are consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) Recommendations made by me in respect of the financial statements for the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 had been implemented

1.6 Comments on Financial Statements

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) Although recovery of Rs. 13,609,655 related to the financial irregularities that took place at the Giriulla Zonal Education Office during the period from 2007 to 2010 was uncertain, without making any impairment adjustment for that amount, it had been brought	Action should be taken to recover the amount Rs. 13,609,655 from the parties involved in the financial irregularity.	It had been decided at the Cabinet Meeting No. 18 / Miscellaneous (019) dated 22.05.2018 that disputes arising between two Government Institutions should be settled through negotiations and compromises without taking

to account as Provincial Treasury Deposits (damages) under cash and cash equivalents.

legal action. Hence, the Attorney General's Department has informed that further legal action cannot be taken in this respect. It has been further expressed that a compensation case be filed against the People's Bank and that the Criminal Investigation Department will present to give evidence.

- (b) According to generally accepted accounting principles, only an investment that has a short term maturity of 3 months or less from the date of its acquisition is qualified as cash and cash equivalents. Nevertheless, total amount of Rs. 2,076,608,903 comprising fixed deposits of Rs. 1,251,338,792 invested for a period of 01 year and treasury deposits of Rs. 825,270,111 invested for a period of 06 months had been accounted for in the Statement of Financial Position under cash and cash equivalents. Correspondingly, the same amount had been shown in the cash flow statement under cash and cash equivalents and therefore cash and cash equivalents had been overstated by that amount.
- Investments made for more than 03 months should be accounted for separately under current assets.
- Excess funds and depreciation reserve funds for assets in approved advances accounts have been invested in Treasury bills and fixed deposits to settle short-term liabilities. Arrangements have been made so as to reinvest the interest on maturity. As it is intended to be encashed these investments whenever needed, they are classified under current assets as short-term investments.

- (c) Expenditure of Rs.1,933,532,550 incurred on rehabilitation and improvement of capital assets had been written off in the statement of financial performance as a provincial investment expenditure without any analysis. Expenditure incurred on rehabilitation and improvement of capital assets should be brought to account under non-current assets. According to the accounting policies followed, only the acquisition of capital assets has been classified as non-current assets and the expenditure incurred under the rehabilitation and improvement of capital assets has been considered as expenses incurred to maintain the value of the assets. All other capital expenditures including those expenditures have been included in the Statement of Financial Performance as provincial investment expenditure and brought to account.
- (d) Although unidentified assets worth Rs. 227,076,112 of the Provincial Council as at 01 January 2019 had been adjusted relating to the preceding years and written off during the year under review, the relevant confirmations had not been submitted to audit. Action should be taken to properly recognize the value of unidentified and formal procedures should be adopted for writing off. The balances according to the asset records were taken into account as opening balances and the final balances were calculated by adjusting the acquisitions and withdrawals and then a balance of Rs. 618,133,006 brought forward from the year 2018 was adjusted to the Provincial Treasury Balance and that balance includes a balance of Rs. 227,076,112 that had been written off.

1.7 Non-compliance

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

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comment of the Chief Accounting Officer
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(a) Municipal Councils Ordinance Section 317	The Commissioner of Local Government had not conducted a survey on the activities of the Kurunegala Municipal Council and furnished a report to the Mayor.	Action should be taken to submit the report annually in terms of provisions of the Municipal Council Ordinance.	It is kindly informed that such survey has not been conducted as yet and arrangements are being made to conduct it in the future.
(b) Financial Regulations of the Democratic Socialist Republic of Ceylon F.R.571	General deposits amounting to Rs. 132,653,269 continued to exist for more than 02 years in 10 institutions including one Ministry and 9 Departments belonging to the North Western Provincial Council as at the end of the year under review had not been settled.	Steps should be taken in accordance with the Financial Regulations 571 in respect of lapsed deposits.	(i) As the project activities have not been completed, it has been retained until the final decision is given. (ii) It has been noted down to take steps regarding the lapsed deposit balances in the General Deposit Account and it kindly informed that those balances are already being settled.

(c) Treasury
Circulars

Paragraph (v) of the Budget Circular No. 04/2019 dated 17 June 2019 of the Ministry of Finance. Although foreign study tours organized using local funds had been suspended, a sum of Rs. 1,367,267 had been spent on six officers of the Chief Ministry for proceeding abroad. The Heads of Provincial Council Institutions too should pay special attention to the circulars issued by the Government from time to time to control public finances. The Budget Circular No. 04/2019 (V) dated 17.06.2019 of the Ministry of Finance has specified that action should be taken to suspend foreign study tours organized using local funds. However, it is informed that the officials mentioned in the audit report proceeded abroad according to the selections made by the External Resources Department for an event organized by the Chinese Government. It is stated that as the other officials went abroad according to the selections made by the Indian High Commission in Sri Lanka, action has been taken to pay the travel allowances.

(d) Public
Administration
Circulars

(i) Circular No. 03/2018 dated 20 February 2018 on Re-employment of Retired Public Officers. Although the head of the institution should identify a suitable successor during the period of re-employment of a retiree, 13 retired government officers had been employed on contract basis for 04 posts in In order to achieve institutional objectives, vacancies should be filled for proper management of human resources. It is informed that there are a large number of vacancies in the posts of Secretary, Technical Officer, Revenue Inspector and Design Superintendent essential for the maintenance of operation

the Department of Local and measures and development activities of Government and 09 Local should be taken in Local Government Institutions for accordance with the Institutions, the Public more than one year. In case of circular provisions. Service Commission is re-employment of a retired officer, he may be paid an allowance equal to his last monthly salary, whereas instead of the monthly allowance of Rs. 77,627 to be paid to the retired Provincial Revenue Commissioner for his re-employment period of nearly 01 year 07 months and 15 days, allowance had been paid at Rs. 160,684 per month and accordingly the overpayment made surpassing the circular provisions amounted to Rs. 1,619,610.

- (ii) Section 02 (1) of Public Administration Circular No. 09/2009 dated 16 April 2009 Without confirmation of attendance, departure and service of the officers of the Chairman's staff and the Governor's personal staff of the Council Secretariat consisting of 10 members, a sum of Rs. 9,229,162 had been paid as salaries and allowances during the year under review.
- Attendance and departure of all staff paid by the Provincial Council should be in accordance with the relevant circular provisions.
- In accordance with the notification of the Hon. Governor, the fingerprint scanner was removed using only the attendance register for them. It is informed that its responsibility remained under the sole supervision of the Private Secretary to the Hon. Governor, outside the supervision of the office.

(e) Other Circulars

Presidential Circular PS / CSA / 11-18 dated 12 October 2018

Although 200 hours of overtime allowance approved only for the Governor's drivers, contrary to that, 12 officers of the Governor's personal staff had been paid overtime allowance of Rs. 2,025,120 per month for the period from February to November 2019 without formal approval.

Payment of overtime allowances should be made in accordance with the relevant circulars.

Following the dissolution of the Provincial Councils, the duties of the Ministries were assigned to the Hon. Governor and accordingly his personal staff too had to engage in extra work. Therefore, the Hon. Governor ordered to pay a 200 hour overtime allowance to those officers. Payments have been made after the approval of the Chief Secretary under the supervision of the Private Secretary.

2. Revenue Management

2.1 Distribution of Revenue (Stamp Duty/ Court Fines) Collected by Chief Secretary to the Local Government Authorities

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>-----</p> <p>Action should be taken to disburse the stamp duty and court fines collected by the Provincial Council on behalf of the local government authorities to the relevant local government authorities for carrying out development activities and community services in the relevant area of authority. Nevertheless, the</p>	<p>-----</p> <p>Payment of court fines and stamp duty to local government authorities should be expedited.</p>	<p>-----</p> <p>The payment of money due to local government authorities and court fines is presently made after obtaining the approval of the Hon. Governor. Payment for all the request letters forwarded to us by the local government authorities requesting funds as at 31.12.2019 has been completed. However, most of the due</p>

North Western Provincial Council had not taken steps to pay Rs. 313,031,038 and Rs. 111,187,945 collected as stamp duty and court fines respectively as at the end of the year under review to the relevant local government authorities.

amounts have already been paid to the relevant local government authorities.

2.2 Arrears of Revenue

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) Revenue of Rs. 232,866,539 to be recovered by the Chief Secretary's Office, the Provincial Revenue Department and the Land Commissioner's Department for 08 revenue codes as at 31 December 2019 remained in arrears. A sum of Rs. 152,872,009 of the above amount continued to exist for more than 03 years.	Formal steps should be taken to recover the arrears.	Not commented.
(b) As the Provincial Revenue Department had abandoned the recovery of outstanding Turnover tax of Rs. 116,981,289 from 784 files relating to the period from 1991 to 2010, outstanding duty and fines of Rs. 36,894,328 and Rs. 40,051,262 respectively from 483 Stamp Duty Files relating to the period from 2011 to 2019 and outstanding additional Stamp Duty	Formal steps should be taken to recover the outstanding Turnover tax.	After taking various measures to recover the tax in arrears, action was taken to file law suits in the court if there are defaulters. In taking action accordingly, when it was found difficult to find taxpayers due to closed down of the business enterprises, action was taken to exempt those businesses form tax.

of Rs. 76,945,590 relating to the period from 2016 to 2019, the loss to the Provincial Council Fund stood at Rs. 193,926,879.

3. Financial Review

----- Financial Results -----

According to the financial statements presented, operations of the Provincial Council Fund had resulted in a deficit of Rs. 1,026,749,479 for the year ended 31 December 2019 as compared with the corresponding deficit of Rs. 274,433,543 for the preceding year, thus observing an increase in the deficit by Rs. 752,315,936 or 274 per cent during the year under review as compared with the preceding year.

4 Statute Accounts/Funds Accounts/ Commercial Advance Account and Other Advance Accounts

----- 4.1 Statute Accounts/Funds Accounts -----

(a) North Western Early Childhood Development Authority -----

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(i) A current account which was opened on 10 August 2018 with Rs. 880,000 and maintained at the People's Bank, Kurunegala comprised a cash balance of Rs 3,132,160 by 30 November 2019. Due to non-operation of this account, the management had not focus attention to use the funds so remained idle in a current account to increase the funding power of the Authority or to make a suitable investment.	Excess funds should be suitably invested.	In order to further strengthen the funds, it is expected to retain the money collected annually in the account and invest the remaining money in fixed deposits.

- (ii) The excess funds of Management should take With the objective of covering Rs. 22,300,000 received by the steps to achieve objectives the expenses of the Authority, Authority from 29 September 2011 of the Institute. action was taken to transfer the to 30 November 2019 had been invested in 15 fixed deposit certificates. On maturity of 10 of the above deposit certificates worth Rs. 13,900,000 during the year under review, the interest income of of Rs. 1,350,905 had been transferred to the General Current Account of the Authority, whereas its economy was not observed during the audit.
- (iii) In order to achieve the goals and objectives of the Authority in terms of Section 04 Part I of the North Western Preschool Education Development Authority Statute No. 04 of 2003, a total of 2,280 pre-schools had been established in the North Western Province as 131 Government Pre-Schools and 2,149 Private Pre-Schools during the year under review. Out of which 282 pre-schools as 15 government pre-schools and 267 private pre-schools had not been registered under Section 04 (2) of the above Statute. Nevertheless, out of the total 903 pre-schools not registered in the previous year, temporary registration had been given for 759 pre-schools during the year under review.
- Pre-schools should be registered and kept under the regulation of the authority. The failure on the part of the pre-school instructors to meet the minimum standards required for the registration of a pre-school under Section 4 (2) of the Pre-Child Authority Charter has given rise to this situation. Further the lack of professional qualifications of the instructors of the pre-school which are charged by the local government authorities too has attributed to this position.

(b) North Western Human Resource Development Authority

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(i) In case the Authority fails to provide the contracted number of employees in providing cleaning services and security services, the daily salary of such non-deployed employee will be recovered as a penalty and the amount thus paid by the Authority during the year 2019 to the institutions stood at Rs.6,031,342. It was accordingly observed that the relevant service had not been properly carried out.	Management should take steps to provide the agreed number of employees.	Procedures on employee management have been introduced as required to provide the contracted number of employees. Nevertheless, due to cases of emergencies crop up beyond our control, employee attendance decreases. Likely, if an employee does not report for duty without informing, the daily salary of that employee will be surcharged by the Authority.
(ii) The Authority maintains 08 bank accounts and due to lack of proper cash management among those accounts, there was a bank overdraft of Rs. 18,221,055 in one account as at 31 December 2019. Even though the net cash balance of the Authority is Rs. 31,502,792, due to overdraft interest and maintenance of excess number of bank accounts, the Authority had to borne Rs. 1,355,909 as bank charges.	There should be a financial management system so as to minimize the financial cost in maintaining bank accounts.	The bank overdraft exists in the account used to pay the salaries of the security and cleaning service sections. About Rs. 30.5 Millionth has to be spent to pay the salaries of the security and cleaning sector. As the service recipients do not properly settle the money, it is practically impossible to make salary payments without a bank overdraft.

- (iii) Out of the revolving loans provided by the Human Resource Development Authority, the loan installments and interest that remained outstanding for more than four years as at the end of the year under review was Rs. 12,194,029. Proper measures should be taken to recover the outstanding loan balance. Not commented.

(c) North Western Industrial Services Bureau

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>-----</p> <p>According to the Board Paper No. 303 dated 16 December 2016, five per cent of the profits earned for each work assignment of the Bureau will be deducted for the Welfare Fund and the out of remaining profit 55 per cent will be paid to the staff as incentives. Thus, a sum of Rs. 4,813,222 had been paid as incentives during the year 2019. In addition, out of the remaining 45 per cent, Rs. 1,292,126 had been paid for unavailed medical leave of the officers.</p>	<p>-----</p> <p>Approval should be obtained properly for the incentive scheme and its criteria.</p>	<p>-----</p> <p>The main objective of the payment of incentive is to encourage revenue generation activities to maintain the optimal financial position of the Bureau, to motivate the employees of the Bureau and to retain qualified and technically capable staff members in the Bureau for a long period of time. As a motivation, payments for the unavailed Medical leave have been paid since 1991 with the approval of the Bureau's Board of Directors obtained in 1990. Incentives are paid on project basis, and payments for saved medical leave are made based on attendance.</p>

(d) North Western Development Authority

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(i) In accordance with Monetary Regulation 571 (2), no actions had been taken to release or credit to the Government Revenue the retained deposits of Rs. 1,593,492 older than 02 years.	Action should be taken in accordance with Financial Regulations.	This matter was discussed at the Audit and Management Committee meeting held on 28.01.2020 as well and further steps are being taken to release or credit the relevant retained money to the Revenue.
(ii) The Madurankuliya Tourist Information and Facility Center, which was completed at a cost of Rs. 12,618,363 without proper feasibility study and planning, remained idle for 03 years without being used for any purpose. A sum of Rs. 178,628 had been spent on the maintenance of this center during the year under review.	Immediate action should be taken to effectively use of this tourist information and facility center.	The building has been leased out to an investor at present and as action was taken to provided electricity and water to the site until the leasing activities are finalized and had deployed a security guard for the security of the building and to conduct site inspections, this expenditure of Rs. 178,304 has been incurred.
(iii) Although a period from 01 month to 07 months had elapsed from the expiry of the contract period for 12 of the 13 shops, including the main restaurant at the Badagamuwa Tourist Facility Center as at 31 December 2019, no action had been taken to lease the shops once again.	Action should be taken to earn income from shops.	A discussion in this connection was held on 10.06.2020 and procurement activities has commenced for the lease of all the remaining shops.

(e) North Western Co-operative Development Fund

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(i) Action had not been taken to recover the arrears of Rs. 54,828,713 due to the Co-operative Fund at the end of the year under review as required by Section 43 (ii) of the Co-operatives Act.	The Contributions receivable under the Co-operatives Act should be recovered.	Payments of contributions are made minimizing working capital problems of the societies and co-operative societies are facing a severe financial crisis even under the current corona epidemic. A sum of Rs. 36,127,047 of the arrears has been recovered by 30.04.2020.
(ii) No formal system had been put in place to recover the loans of Rs. 69,087,433 given to 37 cooperative societies within the stipulated time by the North Western Co-operative Development Fund.	Action should be taken to properly recover the loans given to the cooperative societies.	It has been possible to update loans that remain outstanding for less than 12 months and it is kindly informed that steps are being taken to recover the outstanding loans for more than 12 years in accordance with instruction of the Co-operative Fund Committee.
(iii) No installment had been recovered for the loans of Rs. 33,194,700 given to 14 cooperative societies.	Action should be taken to disburse the loan after conducting a proper feasibility study and recover the loan properly.	Many of the societies mentioned herein are facing financial crisis. The loans to these societies have been given with the intention of relieving the current financial crisis and securing the employments of the working community. It is kindly informed that further steps are being taken to minimize the financial difficulties of these societies.

- (iv) An expenditure of Rs. 12,002,797 had been incurred on the departmental office equipment and construction of departmental buildings during the year under review contrary to the functions specified in the Co-operative Fund. Funds should be used only for the desired purposes of the Co-operative Fund. The purchase of office equipment and the construction of buildings were carried out as they were essential for the proper management of the the Fund.

(f) North Western Folk Art Foundation

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
<p>(i) The Falk Art Foundation had purchased items worth Rs. 5,610,330 from the suppliers outside the North Western Province in the year 2019 with the aim of reselling. As a result, the main objectives of the North Western Folk Art Foundation, that is, the preservation, development and uplifting of traditional arts and crafts in the North Western Province, had not been achieved. Out of the value of total stock of items purchased during the year under review, only items worth 34 per cent had been purchased from suppliers in the North Western Province.</p>	<p>For the preservation and promotion of traditional arts and crafts, more priority should be given to the purchase of productions of the traditional designers.</p>	<p>As high standards productions should be delivered in the supply of items to the outlets, high quality productions with more customer attraction that are not manufactured in the North Western Province have to be purchased.</p>

<p>(ii) For the promotion of traditional folk arts in the North Western Province alone, Rs. 5 million had been allocated to the Foundation under the Criteria Based Grants in the year 2019. However, without fulfilling any of the functions referred to in Section 05 (a) and 05 (b) of the the North Western Folk Arts Foundation Statute, a sum of Rs. 4,833,839 had been spent on dance and folk arts alone.</p>	<p>In preparing plans to achieve the goals and objectives of the Authority, those should be prepared so as to achieve those goals and objectives in a balanced manner.</p>	<p>A training workshop and a programme has been organized for all registered suppliers of items to the North Western Folk Arts Foundation to identify their problems and provide necessary consultancy services to uplift their designs and industries. It is kindly informed that arrangements have been made to conduct these programs in the year 2020.</p>
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(g) North Western Chief Minister’s Fund

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

 In terms of Paragraph 6 of the North Western Provincial Chief Minister's Fund Statute No. 02 of 1990, the funds of the aforesaid Fund should be used to alleviate poverty in the North Western Province, to promote education in the Province, to enhance religion and to maintain religious practices. Nevertheless, any amount out of the Chief Minister's Fund had not been spent for the above purposes during the year under review.

 Resources should be handled to achieve the objectives by giving priority to the functions specified in the Statute.

 It is noted that the criteria mentioned in the audit include the objectives of the Chief Minister's Fund as per the Statute. Nevertheless, the Chief Minister's Fund is the only Fund available to provide relief to people who are facing financial difficulties in treating critical surgeries and non-communicable diseases. Priority will be given to that purpose and if other requests are made, action will be taken accordingly.

(h) North Western Environmental Authority

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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<p>A sum of Rs.7,650,842 deposited by 63 institutions in respect of the issuance of Environmental Settlement Certificates and as service charges for monitoring of follow-up activities by the Provincial Environmental Authority on large scale projects remained as unsettled creditors balance due to not properly conducting inspections over a number of years.</p>	<p>The inspections related to the deposits obtained from client institutions should be completed within the prescribed time and balances of the creditor's deposits should be settled.</p>	<p>The payable deposit balance is a fixed amount to be deposited by the project proposer with this Authority at the beginning of the project according to the method of approving large scale projects. When required, the Authority will spend this amount for the approval process of these projects. These deposits creditors balances are generally exist as constant follow-up takes place after the approval of these projects.</p>

(i) Road Passenger Transport Authority

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(i) In terms of Section 17 (b) of the North Western Provincial Passenger Transport Service Statute No. 04 of 1995, the Authority shall issue, renew or cancel the permits for passenger transport and prescribe the charges. Although such charges had been fixed and regulation had</p>	<p>Revision of charges should be legalized by publishing them in the gazette.</p>	<p>Not commented.</p>

been prepared up to 15 October 2012 and legalized them by publishing in the gazette on several occasions, subsequent revision of charges made on several occasions had not been legalized by publishing in the gazette.

- (ii) In terms of condition 15 of the Instructions Paper relating to applying for tenders for the issuance of new passenger transport permits, after awarding the tender, half of the bid amount specified in the tender application should be paid by the applicant on that day and the remaining half should be paid within 14 days. However, in the tenders opened on 05 August and 25 November 2019, passenger transport permits had been issued to 03 applicants although Rs. 2,935,950 remained receivable from such applicants.
- Passenger transport permits should be issued only to the applicants who have settled the total bid amount.
- These tender applicants have made requests to the Chairman to allow them to pay the remaining tender amounts in the operation of the buses and these route permits have been issued after receiving the approval of the Board of Directors.

4.2 Commercial Advance Accounts

Textile Department

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>-----</p> <p>According to the Commercial Advance Account pertaining to the maintenance of textile centres including supply of raw materials, the total debtors balance including invoice debtors as at 31 December 2019 stood at Rs.28,495,880 and out of which, the total debtors balance related to the period from 05 to 21 years was Rs. 3,596,302 and the total invoice balance for more than 08 years was Rs. 6,726,643. The Department had not taken adequate measures to recover this outstanding debtor balance.</p>	<p>-----</p> <p>The debtors balance that remained outstanding for number of years should be dealt with as per the instructions the Provincial Treasury.</p>	<p>-----</p> <p>According to the report of the committee appointed for obtaining the preliminary information to recover the loans pertaining to the years prior to 2009, the loan balances of some years should be correct. A decision had been reached to submit a report on the outstanding loan balances for the years prior to 2009 to the Chief Secretary and seek his advice. In order to set off a portion of the old loan amount from the funds excessively received as outstanding loan balances, it was decided to forward the matter to the Secretary to the Ministry.</p>

4.3 Other Advance Accounts

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>-----</p> <p>(a) The total employee loan balances that remained unsettled for a number of years pertaining to the employees who were transferred, deceased, interdicted, retired or had vacated the service or for some</p>	<p>-----</p> <p>Action should be taken to settle the loan balances in accordance with the Circular No. 118 of the Director General of</p>	<p>-----</p> <p>It is accepted that the loan balances due from the officers who have arrived on transfers and left on transfers should be settled within three months.</p>

other reasons from 40 institutions including the Ministries, Departments, and Divisional Secretariats of the Provincial Council amounted to Rs. 46,561,004.

National Budget dated 11 October 2014.

However, It is informed that due to some special reasons and the lack of information pertaining to the recovery of certain long standing loan balances, certain loan balances could not be settled as yet.

- (b) The total loan balance to be settled for the officers who had arrived on transfers to 14 institutions including the Ministries, Departments and Divisional Secretariats belonging to the Provincial Council amounted to Rs. 31,746,425.

Action should be taken to settle the loan balances in accordance with the Circular No. 118 of the Director General of National Budget dated 11 October 2014.

Letters have been sent to confirm the loan balances in order to settle the loan balances. The non-reconciliation of loan balances has been a problem in settling the loan balance. Accordingly, it is informed that it will be rectified and action will be taken thereon in the future.

5. Operating Review

5.1 Performance

5.1.1 Government Grants

Particulars relating to the grants approved for development activities of the Provincial Council and the utilization of such grants , are as follows.

Source	Approved Amount	Amount Spent	Underutilization	Percentage
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	Rs. Million	Rs. Million	Rs. Million	%
(a) Province Specific Development Grants (PSDG)	3,043.28	2,286.34	756.94	25
(b) Criteria Based Grants (CBG)	272.40	222.32	50.08	18
(c) Grants for Special Sector Development Projects (Education)	200.00	13.62	186.38	93
(d) Grants for Special Sector Development Projects (Health)	150.00	104.29	45.71	31
Total	3,665.68	2,626.57	1,039.11	28

5.1.2 Provincial Development Plan

A number of 1691 proposals with an estimated value of Rs. 2,970,410,000 relating to new and continuation works had been approved under the Provincial Development Plan for the year under review. According to the progress reports of the Provincial Council, the progress of the work proposals was as follows.

Description	No. of New Work Proposals	No. of Continuation Work Proposals	No. of Bills at Hand Works	Total No. of Work Proposals	Estimate Value of Total Works Rs.
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(a) Fully Completed.	1353	22	484	1375	1,923,262,991
(b) Completed Less Than 50 Per Cent.	38	-	-	38	226,977,705
(c) Completed More Than 50 Per Cent.	86	-	-	86	518,571,273
(d) Not Commenced.	192	-	-	192	301,598,031
	1669	22	484	1691	2,970,410,000
	=====	=====	=====	=====	=====

5.1.3 Annual Action Plan

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) Due to failure of the Provincial Department of Health Services or the Line Ministry in conducting a proper research in the North Western Province to identify the reasons for the proliferation of kidney disease in the North Western Province with an unknown source contrary to the Action Plan for the years 2018 and 2019 of the National Institute for the Prevention of Kidney Disease functioning under the Ministry of Health, the reasons causing the disease could not be identified.	A proper methodology should be prepared to identify the reasons causing the kidney disease in the North Western Province.	Finding the reasons causing the spread of kidney disease with an unknown source in the North Western Province, is done at national level. Programs at Provincial level are conducted by the regional Directors of health services. However, discussions are constantly held at the district development committees on the matters relating to the spread of kidney disease in the North Western Province, and the remedies therefor, thus drawing attention of the authorities.
(b) Clinical activities for identifying the kidney patients in the non-risk areas of Puttlam district had been commenced in the year 2018. As for 06 clinics conducted at 04 areas, 40 patients were identified with vulnerability whilst 39 patients were identified to be vulnerable to the disease at 07 clinics conducted at 05 areas up to 31 May 2019.	Attention should be drawn promptly on increasing the clinical activities and preventive measures for the identification of kidney patients in Puttlam district.	Based on the Grama Niladhari divisions identified, the number of clinics scheduled to be conducted in the years 2018 and 2019 had been 80 per cent; and all those clinics had been conducted. Furthermore, all the other requests made, had also been fulfilled.

- (c) According to the Action Plan of the National Institute for the Prevention of Kidney Disease functioning under the Ministry of Health for the years 2018 and 2019, all the persons above the age of 20 years living in the risk areas should be examined every 03 years; nevertheless, the number of patients examined at the clinics in the risk areas of Kurunegala district from the year 2016 to 31 May 2019, represented between 03 per cent and 34 per cent in the year 2016; for the year 2017, that value ranged between 0.1 per cent and 20 per cent whilst the percentage ranged between 02 per cent and 07 per cent in the year 2018, and 0.5 per cent and 06 per cent in the year 2019 in 08 risk areas thus showing a poor percentage as compared with the targeted population. As such, the targets set out in the annual Action Plan could not be achieved.
- A methodology should be prepared so that more persons would be examined in all the risk areas.
- The statistics on the targeted population change based on the facts such as, reports on census taken in each year, methodology followed to examine, and the guidelines.
- The reason for the increase in the number of participants in clinics during the years 2016 and 2017 was that a mega clinic had been conducted as a special project completely covering only the MOH divisions of Ehetuwewa and Polpithigama.
- The data and percentages given for the year 2018 and 2019 are not as they are. Based on the guideline and the Action Plan, the kidney disease prevention programme had been conducted in those years as required at medical clinics and institutional level by taking into account the laboratory facilities existed at several MOH offices in the low risk areas and non risk areas.

Year	Risk Area	Non risk Area	Medical Clinics	Site	Number Examined
2018	16406	1366	1618	-	19390
2019	16231	2305	5670	13512	37718

- (d) Substantive measures had not so far been taken by the MOH offices to constantly test the water in every school in the risk areas. Only 187 out of 347 schools located in 11 risk areas had been tested during the years 2018 and 2019, and it was identified that water at 169 schools had not been suitable for drinking. Moreover, the progress in testing water samples from schools belonging to the MOH offices of Polpithigama, Giribawa, and Maho had remained extremely poor.
- (e) With the objective of improving livelihood of the people living in 100 rural Grama Niladhari divisions pertaining to 46 Divisional Secretariats under a province-specific development proposal, 157 projects had been implemented by the Provincial Department of Planning and Implementation by utilizing the provision of Rs. 200 million allocated in the year 2019 for the 100 Village Project (*Gam 100 Vada 100*). Sixteen projects with a provision totaling Rs.
- A methodology should be prepared to test water samples from all the schools in risk areas.
- Projects should be implemented as planned.
- This situation occurred as water samples were not tested for free. Following the identification of water not being suitable for drinking, the Navy had established RO Plants as a temporary measure under the Presidential Task Force. As a permanent solution, water supply projects have been commenced with external institutions. Facilities required for testing chemicals in water (heavy metals) remained poor at present. It is expected to obtain facilities in that connection in due course.
- Thirteen projects had to be continued following the fair requests made by the agreed organizations and practical difficulties faced during the implementation of projects. Due to lack of imprest in the year 2019, a sum of Rs. 88,834,633 existed as bills at hand, and the financial progress of work items had been shown as 0 per cent. The said bills at hand have been settled in full.

7,740,000 had not been implemented due to reasons such as, continuation of 13 projects the provision of which totaled Rs. 13,750,000, a number of 115 projects with a provision of Rs. 103,459,283 showing no financial progress at all, and cancellation of agreements.

5.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>(a) Having published in the Gazette dated 03 September 2004 for giving plots in extent of 10 acres 01 rood and 22 perches on long term lease located in the village of Attavilluwakele in the Divisional Secretariat, Mundalama of Puttalam district, the then Minister had granted his approval. However, the land, without being leased out to the relevant person, had been vested in other persons through 05 licenses dated 23 September 2009. As the said transfer had been done through the license for the year 1982, the Government had been deprived of the receivable lease rent.</p>	<p>Action should be taken for the recovery of lease rent income.</p>	<p>Not commented.</p>
<p>(b) A deposit balance of Rs. 1,549,333</p>	<p>Action should be taken to</p>	<p>The reason for the release of the</p>

remained idle over a period of 03 years in the Thalassemia Fund of the Western Provincial Ministry of Health, Indigenous Medicine, Social Welfare, Probation & Child Care Services, Women Affairs And Council Affairs. At least a plan had not been prepared as to how those funds would be spent during the 02 ensuing years.

implement programs in accordance with an Action Plan.

sum of Rs. 2,188,000 to the provincial Director of Health Services was to implement the four year Action Plan presented by that Department in the year 2017. The plan is being implemented at present. The provincial Director of Health Services has been informed that a new project report be presented for the balance amount. Once that project report is received, the provision would be released thereby utilizing those funds for the patients in the province.

(c) The ownership of 23 hospital lands in extent of 32.4042 hectares being used by the Department of Health belonged to the relevant Divisional Secretariats, whereas other Government institutions owned 31 lands, and ownership of 31 more lands belonged to the private sector- it was identified. Ownership of 23 lands had not been specifically identified.

Measures should be taken to promptly and properly acquire the lands.

The Divisional Secretary has been requested to vest the Department with lands belonging to the Divisional Secretariats where health institutions had been established, and acquisition of many of those lands is in progress. As for the delays, the relevant Divisional Secretariats have been requested again.

(d) Of the 08 risk areas in Kurunegala district, MOH offices had not been established in the Divisional Secretariats of Rasnayakapura and Ehetuwewa. The MOH office constructed for the Divisional Secretariat, Rasnayakapura at an expenditure of Rs. 16,140,053 had

MOH offices should be established promptly in Rasnayakapura and Ehetuwewa thereby commencing clinics for identifying kidney patients.

Staff had been attached to the MOH office in Rasnayakapura and thus making the office functional. A special programme had been conducted at the Divisional Secretariat, Ehetuwewa, and it was identified that Ehetuwewa was not a risk

been declared open on 13 August 2018, but it had not become functional as the necessary human and physical resources had not been provided up to June 2019. As such, the MOH office in Kotawehera had been entrusted to identify the kidney patients in the Rasnayakapura area whilst identifying the patients in Ehetuwewa had to be done through the MOH office in Galgamuwa.

area. According to the said special plan, it is proposed to re-examine in the year 2020.

- (e) Provision amounting to Rs. 15,597,878 had been received in the year 2018 from the Ministry of Health and under the province specific development grants for the construction of dialysis unit in the base hospital of Dambadeniya. Provision amounting to Rs. 28,396,400 had been received in the year 2019 to purchase machines and instruments for the dialysis unit. Nevertheless, that unit had not become functional even up to the end of the year under review.
- Action should be taken to make the dialysis unit functional.
- The failure in satisfying the health staff requirements has given rise to this situation.
- (f) Provision amounting to Rs. 14,013,709 and Rs. 1,046,854 had been received in the years 2018 and 2019 respectively from the Ministry of Health for the construction of dialysis unit at the base hospital of Puttalam. Nevertheless, the constructions had not been
- Necessary action should be taken to commence operations of the dialysis unit of the base hospital of Puttalam.
- Due to restrictions on capital provision, the constructions could not be fully completed in the year 2019, and requests have been made for provision in the year 2020. The water purifier (RO Machine) and dialysis machines expected to be

commenced even by the year under review.

purchased by the Line Ministry for the Ministry of Health, had not been purchased and provided for us.

- (g) Despite the possibility of being manufactured by the Department of Ayurveda, action had been taken to purchase 08 types of drugs from the Pharmaceutical Corporation. As such, the Department had to incur an additional cost of Rs. 2,133,161.
- The drugs being manufactured by the Department should be increased thereby taking action to reduce the quantity purchased from the Corporation.
- The drugs manufacturing plant of our Department does not possess the human and physical resources necessary to fulfill the annual drug requirement of Ayurvedic hospitals and central dispensaries by 100 per cent. Accordingly, a certain percentage from the annual requirement should essentially be purchased from the Pharmaceutical Corporation.
- (h) Approval of the Governor of the North Western Province had not been obtained for the procedural rules prepared by the Secretary to the Ministry of Agriculture of the North Western Province on 19 January 2019 in order to establish the Circular Loan Fund for agricultural entrepreneurship development launched by the Ministry of Agriculture on 31 December 2004.
- Formal approval should be sought when establishing a Fund.
- A legal document to the effect that the Circular Loan Fund commenced by this Ministry in the year 2004 had been approved by the Governor of the North Western Province, could not be found. It is kindly informed that action would be taken in due course to obtain his approval on the rules relating to the Circular Loan Fund.
- (i) The amount of refinancing loans issued up to 03 August 2019 since the inception of the Circular Loan Fund of the Ministry of Agriculture, totaled Rs. 365,108,000 whereas the
- The Circular Loan Fund should be established by means of an Ordinance. The final accounts should be prepared and audited in terms
- It is not possible to find information to the effect that final accounts had been prepared for the Circular Loan Fund since the year 2004. Copies of final accounts prepared since August

installments recovered totaled Rs. 249,946,859. The refinancing debtor balance and cash balance amounted to Rs. 115,161,141 and Rs. 8,141,614 respectively as at that date. Final accounts for the Circular Loan Fund had not been prepared relating to the period 2004 – 2018, and furnished to the Audit.

of the Ordinance. 2019 up to the present day have been made available to the Audit.

- (j) The project for producing milk targeting young entrepreneurs pertaining to the Department of animal production and health had been implemented sans a feasibility study and seeking advice from the veterinarians and livestock development consultants. As such, the project had been implemented only for 179 of the 400 beneficiaries for whom the project had been planned to be implemented. Accordingly, a sum of Rs. 16,970,000 provisioned by the Government had been unnecessarily retained without being spent.
- A feasibility study should be conducted prior to commencing a project thereby taking action to implement only the projects that are practical enough.
- Not commented.
- (k) The provincial Commissioner of Lands had been informed by the Commissioner General of Lands in the year 2014 that the land in extent of 01 acre and 4.3 perches located at the center of the Kurunegala town be given on long term lease to the Royal Educational Services
- As the old lease agreement expires as at 31 December 2019, action should be taken for the land to be taken over by the Government, thereby properly giving the land on lease and recovering the loans
- The lease agreement entered into between the Royal Educational Services Private Limited and the Paddy Marketing Board was to expire as at 31 December 2019. The Paddy Marketing Board was informed by the Divisional Secretary through his letter dated

Private Limited for a period of 15 years. The provincial Commissioner of Lands, without taking action to enter into a new agreement by cancelling the old agreement with the Paddy Marketing Board, had referred the relevant institution to pay the outstanding lease rent of Rs. 32,000,000 for 05 years relating to the period from 2014 to 31 December 2018. However, no action had been taken for recovery of the said amount in arrears.

19 November 2019 that the said agreement not be extended. Furthermore, it was also informed that, once the approval was received in the year 2014 for tax relating to the said land, the tax amount should be computed after being assessed thereby paying the tax to the Company. It is kindly informed that a commitment incurred when furnishing the documents relating to the computation of long term tax for he said Company.

5.3 Operating Inefficiencies

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) An expired stock of drugs valued at Rs. 1,389,828 as at 30 September 2019 had existed at 02 regional drug stores, 08 base hospitals, and 40 divisional hospitals in the North Western Province. A quality-failed stock of drugs worth Rs. 1,470,156 was observed at 02 regional drug stores, 06 base hospitals, 33 divisional hospitals, and one MOH office.	Action should be taken to introduce and implement systems for controlling drugs thus minimizing the drugs becoming expired.	A plan has been prepared by the provincial Department of Health Services relating to the expiring and substandard drugs thus taking action to minimize the expired stocks through a programme measuring the progress in accordance with the said Action Plan.

- (b) Dengue prevention measures could not be effectively implemented due to reasons such as, lack of transport facilities sufficient for implementing programs to prevent dengue, 48 vacancies for Public Health Inspectors in the approved cadre, and requirement of 22 more fogging machines to be provided for the MOH offices each with 02 machines. Priority should be given for facilitating the Dengue prevention programs. The MOH offices make use of the human and other resources on priority basis, and fogging machines are obtained from the Malaria Division to be used in preventing Dengue.
- (c) Provision amounting to Rs. 10,000,000 had been made by the Department of Agriculture in the year 2019 for establishing mango planting villages and purchasing 25,000 mango saplings. A Procurement Plan relating to the said purchase had not been prepared, and despite the possibility of purchasing mango saplings from the nurseries of the Department of Agriculture at Rs. 250 each, 25,000 saplings had Should be included in the Procurement Plan. As this project could not be included in the Procurement Plan prepared at the beginning of the year 2019, the project was implemented in accordance with the letter showing the development plan that had been sent by the Chief Secretary of the North Western Province after being approved on 12 June 2019. It is kindly informed that the annual Procurement Plan had already been prepared by then.

been purchased from a private company at Rs. 380 per sapling. As such, a loss of Rs. 3,250,000 had incurred.

5.4 Development and Improvement of Provincial Roads

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>Having shown as the reason that the development activities of 13 roads not included in the road priority list prepared after being identified for development by each Executive Engineer's Office during 2018/2019, be "completed expeditiously", the Central Engineering Consultancy Bureau, Anuradhapura (CECB) had been entrusted to do so under an agreed value of Rs. 259,116,132 by deviating from the Procurement procedure upon approval of the Governor. Half of those roads agreed to be completed in the months of October and November 2019, showed a physical progress less than 50 per cent even as at 31 December 2019 whereas the progress of only one road was shown as 100 per cent. The financial progress remained in the range of 26 per cent and 79 per cent.</p>	<p>The existing Laws, Rules, and Circulars should be followed.</p>	<p>It is not a decision taken by this Department to award the tender to the Central Engineering Consultancy Bureau; instead, it had been decided by us to proceed with the Procurement procedure through open competitive bidding. Nevertheless, it was decided in this year to entrust the Central Engineering Consultancy Bureau in that connection in a manner external to our scope following the order of the Governor. Due to non-receipt of imprests sufficient to make contract payments for the bills presented, the physical progress had also declined in relation to the financial progress.</p>

5.5 Apparent Irregularities

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>(a) The cheques and money orders received by the Zonal Education Office, Ibbagamuwa had not been recorded in a register and certified. In 30 instances from July to November 2010, action had not been taken to provide the persons making payments, with the original copy of the receipt in regard to monies totaling Rs. 5,075,309. Furthermore, a sum of Rs. 2,411,457 received during a period of 04 years between 2008 and 2011, had not been banked by the Shroff. Several Committees had been appointed in a number of instances to inquire into the preparation of bank reconciliation statements with respect to 02 inactivated bank accounts, and the procedure of banking the monies collected by the Shroff. Nonetheless, all those Committees had not served their purpose whilst the responsible officers had not drawn attention properly. Furthermore, two new accounts had been opened with the Bank of Ceylon in June 2012 in place of the 02 bank accounts</p>	<p>A formal inquiry should be conducted thus taking action against those responsible for failure in properly preparing the bank reconciliation statements and banking the monies.</p>	<p>Not commented.</p>

maintained for general purposes and teachers' salaries with the People's Bank which had been inactivated due to failure in preparing the bank reconciliation statements from 2007 to May 2012.

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| <p>(b) Following the accident taken place on 30 December 2014 involving a vehicle belonging to the Ministry of Agriculture, Fisheries, Livestock and Agrarian Development, it was recommended to recover a sum of Rs. 3,960,000 as insurance indemnity with the balance of Rs. 340,000 be recovered from the Driver. But, there were no verifications whether the insurance indemnity had been received or the balance amount had been recovered.</p> | <p>Action should be taken for recovering the losses from the parties responsible.</p> | <p>It was informed in the letter of the Chief Secretary dated 2019.02.21 that measures be taken to recover the sum recommended to be recovered from the Driver with respect to the accident involving the vehicle of the Ministry of Agriculture bearing the number PB-4121, be recovered from his salary. The Chief Secretary has not so far been informed that further action was taken in that connection. It is kindly informed that the Audit will soon be informed after making inquiries in that regard.</p> |
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5.6 Uneconomic Transactions

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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| <p>(a) The North Western Provincial Council had been dissolved on 10 October 2018. The official residence of the Chairman which was in usable condition, remained under the Provincial</p> | <p>As the Provincial Council owns other official residences, action should be taken to provide the Chairman with such a</p> | <p>The Provincial Council office does not own official residences. The then Secretary of the Provincial Council had verbally requested the Chief Secretary with a view to obtaining an official residence belonging to the Ministry of</p> |
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Council, but a privately-owned residence. It is Provincial Councils, but no approval had house had been obtained on an necessary to verify that been given in that connection. annual lease agreement in the residence is Accordingly, it is informed that this January 2019 spending a sum of occupied. house has been obtained following Rs. 180,000 to be used as the approval of the Chief Secretary. official residence of the Chairman.

- (b) A water supply project had Necessary action The purpose of constructing the well for been implemented in the year should be taken to use Base Hospital in Galgamuwa was to 2017 at an expenditure of Rs. the water in the well for obtain water on other requirements, not 15 million at the reservoir in requirements of the for drinking purposes. Galgamuwa in order to provide Hospital. an uninterrupted water supply for the Base Hospital in Galgamuwa. However, due to insufficient electricity for the two water pumps, water could not be supplied to the Hospital even after 03 years since the implementation of the project. As the water in the well constructed at an expenditure of Rs. 2,253,856 without being properly planned and testing the water samples, had become muddy and salty, it was observed that the water was undrinkable.

- (c) Three sun shades constructed by the Ministry of Agriculture in the year 2018 at the fishery harbour in Thoduwawa spending Government grants totaling Rs. 297,507, had been removed. Under the programme to provide fishing vessels and modern technical equipment, 146 rafters had been provided for Puttalam district under 50 per cent contribution from the beneficiaries. However, 09 of the 15 rafters were observed in the test checks to be substandard; as such, the sum of Rs. 548,237 inclusive of the expenditure amounting to Rs. 250,730 incurred thereon, had become uneconomic.
- The sun shades should be made use of. The rafters should be built as per the proper standards.
- The sun shades were removed considering their safety in the backdrop of coastal erosion occurred due to failure in constructing rubble mound breakwater, and heavy monsoonal airflows. It was reported in the follow up action taken by the field officers of the Ministry that faults occurred in 05 of the 09 rafters. Although follow up action had been taken on the rest of the 04 rafters, it has not been reported in that connection thus far. As such, it is informed that necessary action will be taken in due course being found out.

5.7 Assets Management

5.7.1 Idle / Underutilized Assets

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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Three of the 07 distilled water operator machines purchased at an expenditure of Rs.	Action should be taken to make use of the idle assets.	As it is expensive to purify water with the distil water operator machines, such machines are not purchased at present. Purchases are made and supplied to all the hospitals in the district including the base hospitals based on the requirement for distilled water.

3,408,168 in the year 2018 and given to the hospitals in Dambedeniya, Nikaweraitya, and Galgamuwa had become non-functional within a period of 1 ½ years.

5.7.2 Utilization of Vehicles

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) Seven vehicles parked at the farms in Wariyapola and Galgamuwa belonging to the Department of Agriculture, along with a vehicle owned by the Ministry of Agriculture, had remained idle since the year 2008.	The idle assets should either be made use of or disposed.	<p><u>Vehicle No. 73 Shri 2758</u></p> <p>Action has been taken to release to the School of Agriculture, Wariyapola.</p> <p><u>Vehicle No. 109 Shri 475 and K-120</u></p> <p>Action has been taken to repair.</p> <p><u>Vehicle No. 41-2014</u></p> <p>Action is being taken to release to the office of the Deputy Director of Agriculture (Seeds), Nikaweraitya.</p> <p><u>Vehicle Nos. 73-2757, 72-3233, 27-3878</u></p> <p>Sent for disposal.</p> <p><u>Jeep bearing No. KS-8730</u></p> <p>A vehicle allocated to the former Minister. Remains parked at the premises of the Ministry after the tenure of the North Western Provincial Council ended.</p>

- (b) Action had not been taken to take over 55 vehicles under the relevant institutions comprising 24 vehicles owned by the Department of Animal Production and Health, 11 vehicles owned by the Provincial Ministry of Road Development, 11 vehicles owned by the Provincial Department of Irrigation, and 09 vehicles owned by the Chief Ministry of the North Western Province.
- Action should be taken to take over the ownership of lands remaining in the possession of relevant institutions.
- Those vehicles belong to miscellaneous Ministries. As such, action is being taken to take them over after being examined individually.
- (c) Action had not been taken by the Chief Minister of the North Western Province to publish in the Gazette the limits on fuel relating to the vehicles allocated for the Chief Executive of the Local Authorities, nor had limits on fuel been imposed by the Local
- Action should be taken to impose supervise the limits on fuel.
- The issue pointed out by the Audit relating to the limit on fuel provided for the Mayors / Chairmen, has also been observed in accordance with the information obtained from the Local Authorities through my Letter, No. NWP/DEPT of L.C./01/11/02/34, dated 13 January 2020.

Authorities. As such, there existed instances in which fuel had been obtained limitlessly whilst transport allowances had been obtained upon decisions taken by the Council.

5.8 Staff Administration

5.8.1 Observations on the Staffs of the Provincial Council Institutions (Excluding Education and Health)

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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<p>(a) The failure in filling the vacancies in 19 posts of Technical Officer of the Sri Lanka Technical Service who supervised maintenance and development of roads, severely affected the success of the development and maintenance of roads in the year.</p>	<p>As vacancies occur, action should be taken to promptly fill them.</p>	<p>Requests have constantly been made to the relevant authorities in order to fill those vacancies.</p>

- (b) Vacancies existed in 191 posts comprising 63 posts in the Chief Secretariat of the North Western Province, 68 posts in the Department of Industrial Development, 30 posts in the Department of Probation and Child Care Services, 10 posts in the Ministry of Cooperative Development, 11 posts in the Provincial Department of Revenue, 05 posts in the Provincial Public Service Commission, and 04 posts in the Department of Land Commissioner.
- Action should be taken to recruit a sufficient staff.
- Such inefficiencies do exist as vacancies are filled by taking into account the financial provision, and requirements of physical resources. Vacancies in certain posts have already been filled whilst applications are called to make recruitments to some of the posts.
- (c) The Secretary of the Pradeshiya Sabhas falls under the post of Management Assistant (Supra Grade). However, of the 29 Pradeshiya Sabhas in the North Western Province, Development Officers for 10 Pradeshiya Sabhas, Management Assistants for 02
- Action should be taken to recruit suitable persons to the post of Secretary of the Pradeshiya Sabhas.
- The Department of Local Government has taken measures to fill the vacancies with officers capable of optimally performing the duties assigned to them as the Secretary of an Urban Council or a Pradeshiya Sabha with enough experience and know-how on the Local Authorities. It is an internal procedure of the Department of Local Government to appoint other officers to cover the duties until permanent officers are appointed. The Public Service Commission of the North Western Province had appointed 08 Development

Pradeshiya Sabhas, and a retired Management Assistant (Supra Grade) for one Pradeshiya Sabha, had been appointed as Secretaries in acting capacity over longer durations. Some of those appointments had been made by the Public Service Commission of the North Western Province whereas the others had been made by the Commissioner of Local Authorities. Even though the said officers were not entitled to obtain an acting allowance relating to those appointments, certain officers had taken action to obtain acting allowances.

Officers in acting capacity to the posts of Secretary at 08 Pradeshiya Sabhas through letters dated 13 February 2019; and, through the letter, dated 12 March 2020, seven Management Assistants promoted to the Supra Grade had been attached to the posts of Secretary at the Local Authorities. Five of them had reported to the duty whereas the two officers attached to the Pradeshiya Sabhas of Wanathavilluwa and Giribawa had refused to accept the appointment . As such, those posts remain vacant over a longer period.

5.8.2 Educational Staff

Audit Observation	Recommendation	Comment of the Chief Accounting Officer						
<p>A number of 918 vacancies in the post of Teacher, 71 vacancies in the Post of Principal, 71 vacancies in the post of In Service Advisor, 7 vacancies in the post of Director, and 122 vacancies in non-academic posts of the schools existed in the North Western Province.</p>	<p>Action should be taken to identify and fill the vacancies in the academic and non-academic staffs at zonal and school levels.</p>	<p>Teachers had been recruited during the year 2019 in the following manner to the posts that had remained vacant as at 31 December 2018 in the North Western Province relating to the G. C. E. (O. L) subjects.</p> <table border="0" data-bbox="850 751 1370 993"> <tr> <td data-bbox="850 751 1230 783">No. of graduates at district level</td> <td data-bbox="1312 751 1370 783">1713</td> </tr> <tr> <td data-bbox="850 831 1284 911">Appointments through Colleges of Education</td> <td data-bbox="1321 831 1370 863">238</td> </tr> <tr> <td data-bbox="850 957 1122 989">Graduates in education</td> <td data-bbox="1333 957 1370 989">22</td> </tr> </table> <p>As such, 1973 teachers have been recruited thus far to the vacancies in the teachers' service.</p>	No. of graduates at district level	1713	Appointments through Colleges of Education	238	Graduates in education	22
No. of graduates at district level	1713							
Appointments through Colleges of Education	238							
Graduates in education	22							

5.8.3 Health Staff

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) A number of 689 officers with service periods of over 05 years in 17 posts at 11 hospitals belonging to the Department of Health, had served the same hospital without being transferred.	A proper transfer scheme should be in force.	Medical Officers are transferred through the Line Ministry. Although transfer orders are issued for the Nursing Officers, such orders are refuted by the Nursing Officers' Association, thus delaying the transfers. Transfer orders are issued for the other posts as well, but all the vacancies are not filled based on the service requirements of each institution thereby crippling the day-to-day activities, thus delaying release of officers.

- (b) As a Medical Officer had not separately been attached for kidney disease preventive measures at the MOH offices located at 05 risk areas in Kurunegala district, the Medical Officers of the MOH offices were not able to successfully conduct clinics for kidney disease along with their routine duties. During the year 2018, the number of clinics conducted in 05 risk areas, had been 50 with 187 patients identified.
- It is suitable to take action to attach separate Medical Officers for Kidney related affairs to the MOH offices in the risk areas.
- It is the Line Minister that appoints or transfers the Medical Officers. The Deputy Director General – Public Health Services, has been informed several times that a separate Medical Officer is required for affairs related to kidney disease.
- (c) The reasons such as, lack of an adequate staff for the district kidney disease prevention unit, and failure to attach a Nephrologist for the Puttalam district, had affected the efficiency of the activities relating to the prevention of kidney disease in Puttalm district.
- Measures should be taken to provide an adequate staff.
- As for attaching staff to the health service, the constant scarcity of officers has become a problem. However, action has always been taken to provide a satisfactory health service through the management of existing staff.
- (d) Lack of adequate staff to conduct tests on kidney disease at the laboratories of base hospitals and other hospitals located in the risk
- Action should be taken to provide a sufficient staff for the hospitals where dialysis units have
- Action has been taken to fill the vacancies existed at the laboratory staffs in the districts of Kurunegala and Puttalam by the year 2019. In addition to that, problems relating to human resources could be resolved by

areas of Puttalam district, been established. and scarcity of staff to ensure efficiency at the dialysis units, were observed.

establishing a provincial laboratory thereby conducting tests therethrough.

5.9 Procurement

Supply of Works and Services

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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<p>(a) In order to be entitled to receive a payment for participating in a meeting relating to procurements as per Supplement No. 25 of the Procurement Manual dated 23 July 2012 read in conjunction with Guideline 2.9.1 of the Procurement Guidelines, the members should meet at least twice for reaching an agreement on the matters being discussed. Moreover, such meetings should be</p>	<p>Provisions set out in the Procurement Guidelines should be followed.</p>	<p>Once further discussions are held with you to clarify matters, comments will be made thereafter.</p>

conducted external to the normal duty hours, but the Department of Engineering - North Western Province, had conducted only one meeting during the working hours thereby paying a sum totaling Rs. 1,102,000 to 10 officers in the year under review.

- (b) According to Supplement, No. 28 of the Procurement Guidelines, dated 04 July 2014, the competent authority may allow deviation from the normal Procurement procedure owing to an urgency or specific matters. In such instances, the reasons therefor should clearly be reported in writing with a copy thereof
- When found necessary to deviate from the normal Procurement procedure, the reasons therefor should be reported in writing, and the copy thereof should be presented to the Auditor General .
- Quotations were obtained only from the Regional Resources Authority and the fishing gear had been purchased therefrom based on the facts such as, the said institution was a Government entity affiliated to the Ministry, non-necessity to incur additional costs on transportation, and every fishing vessel manufactured was certified for quality by the Naval Engineer of the Department of Fisheries and Aquatic Resources.

being submitted to
the Auditor
General.

Nevertheless, the
Ministry of
Agriculture,
without doing so,
had called for
quotations only
from the Divisional
Resources
Authority and
purchased fishing
gear by spending a
sum of
Rs. 6,442,625.

6. Accountability and Good Governance

6.1 Internal Audit

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
----- An Internal Audit Unit had been established in the Provincial Council, but due to failure in conducting an internal audit on all the institutions under purview of the Provincial Council in the year under review, the objectives expected therefrom could not be achieved.	----- All the institutions under purview of the Provincial Council should be audited internally.	----- Not commented.

6.2 Observations on the Unresolved Audit Paragraphs

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>The advance of Rs. 7,038,211 approved by the Chief Ministry and given in the year 1993 for maintaining the <i>Viskam Niwasa</i> , had been brought forward even by the end of the year under review as an unsettled balance of expenditure.</p>	<p>Action should be taken either to settle the advance amount of Rs. 7,038,211, or eliminate the balance shown in the Treasury accounts, from the book.</p>	<p>A report prepared after being examined by a three-member committee appointed by the Chief Secretary, has been presented.</p>